2

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EDITORIAL

As We See It

It is becoming clearer with every passing day that a fundamental issue has been joined in the steel seizure case.

The injunction now granted by a Federal Court, as heartening as it is, does not and could not bring the matter to an end. The challenge to our way of life remains.

It is an issue which should, of course, have been joined the day Franklin D. Roosevelt was inaugurated for the first time. In those days of depression, not to say despair, men did not, however, always think calmly about these things, and so great was the personal influence of the newly elected President that there was no great disposition to challenge him. He grew in popularity as time passed, and a total war intervened, so that by the time Mr. Truman was called to the helm, the people of this country had almost forgotten what this American system of ours was supposed to be like.

When the great war came to an end, there was widespread fear of a return of hard times and unemployment. A tendency to wince and relent and refrain from insisting upon a return to a really free America was evident. Then Korea provided another excuse for a continuation of the attitudes and preconceptions of the dictators. If this steel case has at long length really aroused the American people to what has been happening to our boasted system of free enterprise, then the whole episode, troublesome as it has been and may be in the future, may pay off handsomely in the end.

There can be no doubt that basic questions are clearly and unmistakably at issue. Exchanges

Continued on page 29

Conflicting Trends in The American Economy

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

Dr. Slichter reviews prospects for business in 1952 and 1953, and analyzes economic consequences of the shift from build-up of the military establishment to a return to peacetime economy. Sees a slight revival of consumer spending in 1952 and further expansion in defense expenditures, with a leveling off in 1953. Examines problem of transition to peacetime economy, and holds drop in defense spending will not produce serious depression. Finds both deflationary and inflationary forces in long-term outlook.

I

My remarks will be divided into three parts. In the first place, I wish to discuss the short-run business outlook—the prospects for business in 1952 and 1953. In the second place, I wish to analyze the economic consequences of the shift from the build-up of the military establishment to the maintenance of the enlarged military establishment. In the third place, I wish to explore some of the important underlying changes in the American economy during recent years, especially the last five or six years, that affect the balance of inflationary and deflationary influences and the capacity of the economy to grow.

Prof. S. H. Slichter

The most important fact to bear in mind in appraising near-term business trends in the United States is that the concept of the overall business cycle does not apply at present to the American economy and has not applied to it during a large part of the time in the last several years. On the contrary, the American economy has been characterized by large offsetting movements which have limited both its expansion and its contraction. For example, al-

Continued on page 26

*An address by Dr. Slichter at the First Annual Conference on Selling Shares in America, New York City, April 28, 1952.

The Muddy Business Outlook

By MELCHIOR PALYI

Commenting on blundering of government "statistical oracles" on the business outlook, Dr. Palyi finds current "muddiness" and instability of the situation the result of monetary, income, investment and fiscal interferences which have seriously disturbed the national economy. Says recurrent setbacks of business are part and parcel of "slow inflation," as well as the process of correcting a disequilibrium. Looks for further "shake down" in next few months, and concludes inflationary forces are on verge of breaking out again.

An English friend, one of the keenest observers and analysts in the financial center of the Sterling Area, writes us (referring to the business outlook): "The whole situation is now as clear as mud. Were it not that so many people are slump-minded and that it is nearly always wrong to shout with the crowd, I should say that all the signs are for the worst deflation since 1931. However, threatened men live long, and we shall see. If any single aspect of the world economic picture ever comes clear to you, drop me a line."

Dr. Melchior Palyi

The muddiness of the outlook has very serious aspects. One is the role the "economists" of the U. S. Government play in it. Their recurrent forecasts since early 1951, that a new inflation wave is just around the corner, have misled the country and the rest of the world. Individual forecasters' errors are their private business. But when the government goes into the business of predicting the "cycle"—and does so in a managed economy in which the managers are expected to have the power to bring about their own predictions—the error is cumulative in effect.

This is the second time since the last war that the "authoritative" prophets have blundered inexcusably (a good sample of the dangers inherent in a system that combines private enterprise with a superimposed authoritarianism). What makes their intellectual blunders a very serious matter is the fact that these statistical

Continued on page 25

SECURITIES NOW IN REGISTRATION — **Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 41.**

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Pantepec Oil Company—Louis Lober, partner, Lober Bros. & Co., New York City. (Page 2)

Union Carbide & Carbon Co.—Richard P. Windisch, partner, W. E. Burnet & Co., New York City. (Page 2)

LOUIS LOBER
Partner, Lober Brothers & Co., New York City
Members New York Stock Exchange

Pantepec Oil Co.

For a low-priced security that has the elements for large capital appreciation, and yet seems to have been overlooked in the scramble for the numerous oil prospects that have been popular of late, I choose the stock of Pantepec Oil Co. which is traded on the New York Curb Exchange.

Louis Lober

Pantepec is capitalized for 3,000,000 shares of which 2,996,872 are outstanding. The company as of Dec. 31, 1951 was borrowing from the Chase National Bank $3,500,000. This loan was originally contracted in 1949 in the sum of $9,000,000 and was reduced by payments to its present amount. Amortization requirements of the original loan were $500,000, quarterly, beginning with Jan. 1, 1950. In other words the company in a period of two years reduced this loan by the sum of $5,500,000 to leave a balance of $3,500,000. For 1952 the amortization requirements have been reduced from $500,000 quarterly to $125,000 quarterly. This leaves Pantepec free to utilize $1,500,000 more of its earnings for the development and improvement of its properties than it did last year.

Pantepec owns a 14,876 acre (approximately 23 square miles) concession known as **Mulata** in the State of Monegas and another concession of 17,887 acres (approximately 28 square miles) known as **El Roble** in the State of Anzoategui both in eastern Venezuela. At the end of 1951 Pantepec's investment in **Mulata** was about $11,490,000 and that in **El Roble** about $10,800,000, making a total investment in both concessions of about $22,290,000.

Mulata: At present there are 120 producing wells on this concession with an average total daily production of 6,200 barrels of 35° crude which sells at about $2.60 per barrel. The average depth of these wells is 5,500 feet. Included in the 120 wells are about 30 wells located in one portion of the area which due to a geological shift have had their casing "pinched" resulting in a greatly reduced oil flow. To relieve this condition a re-work rig has been assigned exclusively to reopen these wells. Another rig has been assigned for normal re-working of other wells. These operations are expected to result in a substantial increase in present production.

Present plans for 1952 in addition to re-working existing wells call for the drilling of one or two wildcats in Mulata to reach for deeper production probably at around 9,000 feet.

A large stabilization plant built jointly with Creole Petroleum at an expense of $3,000,000 to each company is operated here. Some of its functions are (1) to extract gasoline from wet gas and blend it with processed crude to raise its gravity; (2) to stabilize the crude by removal of propane and more volatile fractions; (3) to compress the stripped gas and return it to the producing zones in order to maintain gas pressures as an aid to crude production.

El Roble: At present there are 18 producing wells on this concession with an average total daily production of 2,400 barrels of 45° crude which sells at about $2.80 per barrel. The average depth of these wells is 10,000 feet.

Present plans for 1952 call for the drilling of one well to a depth of about 8,000 feet on a block that presently has three producers.

In addition to this, important operations have been begun on El Roble. Pantepec recently announced the negotiation of an agreement with Clint Murchison, the Texas oil man, under which he is to drill at his own expense and risk up to eight deep wells to depths of between 10,500 and 12,000 feet to intercept the **Merecure** formation. This formation is regarded as a steady producer based on experience with a well (Creole ownership) brought-in in November, 1949. Included in these eight wells are two holes that were drilled by Pantepec more than a year ago, one of which was carried to about 10,000 feet which Murchison interests are to deepen to the **Merecure** level. This well originally "came-in" as a producer but with such great pressure that it blew out. I have been informed that work has begun on one of these holes and it is expected that within 90 days it should be extended to the depth of the **Merecure** formation.

The main feature of the agreement is that the production from the eight wells mentioned therein of oil produced only from the **Merecure** sand will after deduction of production cost be divided between Pantepec and Murchison in the ratio of one to three until such time as Murchison's receipts shall have equaled the cost of the wells, after which both parties are each to receive 50% of the production.

Individuals intimately familiar with Pantepec's affairs and with the geology of the area appear to be confident of the success of these operations.

There is an important by-product to this agreement. There are known to be three oil producing sands in one or more places above the depth of the **Merecure** sand. As these formations are intercepted by Murchison's drills, Pantepec has the right to take cores and if oil is indicated, that horizon in the Murchison wells must be cased off, as Murchison is to have no interest in production other than in that developed at the **Merecure** level. Pantepec is at liberty to drill for its own account and at its own expense for any or all production that may be encountered above the **Merecure** sand.

Heretofore Pantepec and Creole jointly owned the concessions which were roughly twice the size mentioned above and Creole operated the same under agreement so that as a practical matter Creole was the contractor for Pantepec. The pro rata cost of operations in both fields was charged to Pantepec and these costs included certain charges for the use of sundry facilities belonging to Creole that were not directly connected with oil production. Also Creole I am told was not keen on developing the **Merecure** formation as it was inclined to regard it as a reserve for the future.

In 1949 the properties were divided on a checkerboard basis between Pantepec and Creole but an operating arrangement was still in effect. On Jan. 1, 1952, this arrangement was terminated. One of the effects of the termination of this agreement was to give Pantepec complete control over the development of its holdings and to place the company in a position to accelerate the same. Another effect by this reason was savings to Pantepec of about $100,000 per month for the first three months of 1952. If this saving runs true for the balance of the year it would contribute roughly an additional 30c per share to earnings.

Earnings of Pantepec for the year ended Dec. 31, 1951 were about 40c per share.

Summary

(1) Pantepec is an established producer. Average production presently is about 8,500 barrels daily. It owns concessions of more than 32,000 acres in Venezuela.

(2) More of the earnings are available for 1952 to develop additional production and improve the properties by reason of the $1,500,000 reduction in loan amortization.

(3) Re-working of the 30 wells partly obstructed by pinched casing together with the re-working of other Mulata wells is expected to substantially increase production.

(4) The agreement with Murchison could result in (a) the lotion of oil (without expense to Pantepec and to which Pantepec will have the sole right) in strata lying above the **Merecure**; (b) production developed in the **Merecure** and subsequent operations therein could place Pantepec among the larger producers of Venezuelan crude.

I believe that potentialities for the growth of the company present Pantepec as an interesting situation.

The writer has a long position in Pantepec which was acquired by purchase on the New York Curb Exchange at recent prices.

RICHARD P. WINDISCH
Partner, W. E. Burnet & Co., New York City
Members, New York Stock Exchange

Union Carbide & Carbon

The security I like best is the common stock of Union Carbide & Carbon as I can find no other company which can show the consistent record of forward vision and adaption to technological progress which this company's management has displayed during the entire 65-year history of the corporation and its divisions. Its predecessor companies were originally the leading makers of acetylene gas for automobile lamps and carbon pencils for street lamps. Both of these mar-

R. P. Windisch

Continued on page 33

Inflation or Freedom—The Campaign Issue of 1952

By IRVING S. OLDS*

Chairman of the Board, United States Steel Corp.

Stating "inflation has cost us our shirts and the President has taken our plants," U. S. Steel executive emphasizes that inflation and free enterprise are incompatible. Traces ravages of inflation and its disastrous effects on business. Says steel profits have been misrepresented and chances of expanding industry out of profits have become bleaker. Warns of wage-price spiral if steel wage award is put into effect, and attacks controls as instrument of disaster. Concludes government has fostered inflation and government alone can stop it, and the principal issue to be decided by the people at the polls in November is the question of "inflation or freedom."

Tonight I have been asked to discuss "Inflation and Free Enterprise" as an issue in the coming campaign. That is a broad topic which clearly should call for a very profound speech, but it has been said that a profound speech is one which leaves both the speaker and his audience in a state of complete confusion. And I find myself somewhat embarrassed by the fact that the confusion which has emanated from Washington on this subject is already complete. Nothing I can say could possibly add to that confusion; and if any man is capable of subtracting from it, that man is the other speaker on this program — the Honorable John Taber. So I shall rely upon him, confidently, to do the subtracting.

Irving S. Olds

For my part, I am simply going to discuss this issue in the pitiless—and pitiful—light of experience. As a steel man, I am, perhaps, qualified to do that.

Experience, you know, is what you have left after everything else has been lost; and we, in the steel business, have had plenty of experience recently. Inflation has cost us our shirts; and the President has taken our plants.

Reduced to such extremities—I submit—no man can be profound.

So let me say, very simply, that inflation—and the policies through which our government is supposedly trying to deal with it—constitute, in my opinion, the most critical issue in the coming campaign.

Inflation and Free Enterprise Are Incompatible

It is not a matter of inflation *and* free enterprise; it is a question of inflation *or* free enterprise. We cannot have both. They are incompatible and irreconcilable. They cannot even exist, side by side, in the same economic climate. The experience of man, throughout the ages, has proven that conclusively.

The pages of history are filled with the obituaries of the once-great nations which have been ravaged by the disease of inflation; and in every case that I have discovered, the malady has begun in the same way and has run the same, identical course to the same disastrous conclusion.

Inflation invariably is government-produced. It originates with the profligate expenditure of government funds and it always follows war, because war, of course, is the most wasteful expenditure of a nation's resources—financial, material and human.

The disease strikes when the government's income is no longer sufficient to meet these prodigal expenditures. In an effort to stave it off, the government usually levies confiscatory and ruinous taxes upon its most productive citizens; but when these taxes can no longer produce enough revenue to pay for the nation's extravagance, the government does one, or both, of two things: It debases the coinage through outright devaluation; and it issues printing-press money — either directly or through the indirect method which has found favor with our own Administration here at home. At this point the first symptoms of inflation appear quickly.

Ravages of Inflation

The supply of money is suddenly and greatly increased; but there is no corresponding increase in the supply of goods and services that the people wish to buy with that money. So the price of everything in the market is bid up higher and higher. But as the cost of living goes up, the people demand more and more for whatever they have to sell—be it their labor, or their products and services. And so begins the endless wage-price spiral which is the inevitable consequence of inflation.

The government, too, of course, is soon caught in this spiral which it has started. Its own expenses rise and its deficit grows. So it resorts to more inflation, prints up more money, and raises taxes still further, if possible. Then the people begin to realize that a dollar saved is 50 cents lost; and the critical stage has been reached.

Inflation and taxation, together, quickly despoil the accumulated savings of the people, and destroy

Continued on page 22

*An address by Mr. Olds before the Academy of Political Science, New York City, April 24, 1952.

INDEX

Articles and News — Page

Regular Features

*No column by Mr. Bargeron this week.

**Mr. May's third article on his Analysis of the International Economic Conference in Moscow appears this week.

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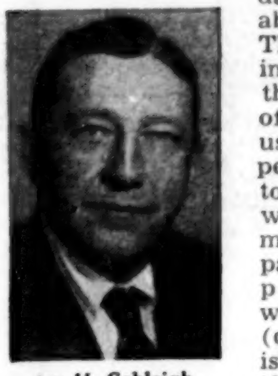
The Carpets Are Down

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A backward look at the beating the carpet companies took in 1951, with some comments on their ability to weave perhaps a more favorable market pattern this year.

With so much talk in the past year about ceilings, it would now seem to be high time to shift the conversation to floorings—so today let's talk about carpets. They're pretty important in the lives of all of us. There's usually a carpet leading up to the church when we get married; we pace the carpet when we're nervous (or the baby is); we're "on the carpet" with the boss when our business efficiency slips, and carpets on the stairs often provide welcome sound-proofing for the returning reveler. Even in this age of jet propulsion, the most fabulous form of transportation is still the "magic carpet." We just can't get along without them.



Ira U. Cobleigh

Another thing, expanding levels of personal income in America have developed new demands for domestic comfort. So it is that not only are the yearly million or so of new homes, for the most part, carpet-bearing in living, dining and bedroom areas, but wall-to-wall carpeting in older homes, apartments, and in swank business offices has become importantly *de rigueur*. And if you really want to see a broad expanse of broadloom, just buy a ticket for any big movie theater, and you'll be up to your knees in it!

But the business of turning out all these miles of elegant tread-[illegible]ing has been fraught with competition — rugged competition —if you'll pardon the expression! Right after World War II, though, it was duck soup. Pent-up demand for carpets bulged both production and prices, and from 1946 through 1950, with some slackening in 1949, production, gross and net of standard companies showed handsome gains—gains reflected in high prices for carpet shares in 1946, 1948 and 1950. Till the start of 1951, all looked rosy. True, the price of imported wool (basic carpet ingredient) had risen steadily from 80c a pound in the spring of 1950, to some $2.20 in February, 1951, but this had been offset by hiking the price of carpeting, without visible loss of demand. So it was that a little over a year ago retail prices in this trade, and inventories, were at summit levels when demand drooped. It was only logical for the standard and classic economic remedies to be applied. Wool buying virtually ceased, operating costs were trimmed, and price slashing was widespread — "rug cutting" without an orchestra! In view of all this, it is no mystery that 1951 statements of carpet enterprises made bad reading for bankers and stockholders, and bogged down the Stock Exchange prices for rug equities to the lowest prices in years—in which general level most have remained and are now discernible. Carpet makers (along with a number of textiles) have been going through, if not depression, then at least a whale of a big dent.

But, as you know, the history of successful speculation has, in many cases, been built around low priced entry into depressed industries; and it appears not illogical to suggest that such a situation may now exist in the carpet trade. There are three companies in this field where, on all counts, inflation is noticeably absent, where important factors of leverage are built in, and where substantial restoration of earning power is well within the realm of prediction.

First, let's talk about Bigelow-Sanford, the largest rug manufacturer in the U. S. In line with the above industry pattern, net sales of BGS slumped from $97.7 million in 1950 to $77.5 million in 1951 and operating profit dove from $12.1 million to a deficit of $2.5 million in the same 2 years. A lot of the problem here is wool, bought high, and sold low in carpet form. To get away from the volatility of this wool price, BGS has taken some very forward steps. In 75% of its woven production, for its 1952 Spring Line, viscose rayon will be used. To supply itself with this, Bigelow-Sanford purchased the Hartford Rayon Corporation and at Rock Hill, Connecticut is developing a plant to produce 18 million pounds of rayon annually. For this purpose (as well as to finance a large inventory) new capital was added last year so that today, with $17 million funded debt, $3,960,450 in 4½% preferred, a lot of powerful market leverage can be applied to the 993,963 shares of common. Now quoted at $16¾, BGS is paying at the rate of $1 a year in dividends, with per share earnings projected by some analysts as high as $2.80 for 1952. If carpet shares bounce back, could be that BGS might be speculative but springy.

Another big carpet creator is Alexander Smith, Inc. It was hard hit in 1951 showing a net loss of $1.9 million; and passing entirely its regular quarterly dividend due in March of this year. This 77-year old company took a lot of corrective steps, however. Payrolls were trimmed by roughly ⅓. The company entered the cotton rug field and hopes for gross sales of $4 million in that department this year. To duck profit erosion, due to high wool prices, Alexander Smith too, has shifted to synthetics and 70% of its current output includes these fibres.

The linoleum division has been completely reorganized at the management level; and a bright sales future is planned for a low priced Koroseal floor covering developed jointly with B. F. Goodrich & Co. and offered for the first time this January.

These things, together with streamlining the Yonkers mill, and completing a new southern plant at Greenville, Miss., suggest new horizons of future earnings, and tend to make just a little less speculative, the purchase of AXS common at today's price of $15½, within a point of the all time low; and a far cry from 55¼ in 1946. There's leverage here, too, with $14,150,000 funded debt, about $11 million in preferred ahead of 937,925 common shares. Some solace for the timid, who dabble here, may be found in the fact that since 1874 Alexander Smith has paid dividends in every year except 1930-2, and 1938. This may be no "magic" carpet, but it could conceivably gain altitude, perhaps with you aboard!

Another corporate carpet creature slogging away at practically all time lows on the Stock Exchange is Firth Carpet Company at $10½. An honorable name in carpets for 64 years (with a net profit in 60 of them) Firth has a solid background. It fought the problems of its industry in 1951, and saw a 1950 net of $2,154,059 dwindle to $338,032 for the next 12 months.

Some 90% of sales of Firth products is through wholesale distributors by exclusive franchise. This has proved an effective sales technique, and so close has this distributor relationship become, that most of them are stockholders. Further, of the 581,578 shares of Firth common outstanding, roughly 34% is owned by officers. This naturally creates a good esprit de corps.

Some $3,570,000 of net earnings has been reinvested in plants in the last five years, and the plants at Firthcliffe, Newburg and Auburn can now turn out 6 million square yards of carpet per year. Firth, like the others we've been looking at, has added synthetics to its wool. It purchases its rayon and acetate fibres mainly from such eminent producers as American Viscose and Celanese.

It's just a little difficult to see how Firth Carpet with its sound current balance sheet, energetic management, and improved sales prospects for 1952, could provide too great hazards for speculatively minded stock buyers at today's price. A maintenance of 1951 dividends would provide about a 10% yield currently.

Please remember in all that has been said here that carpets are both volatile and cyclical, and no one should enter without both appreciating the risks and getting all the latest financial data (only touched upon here). But the industry-wide wool price hazard is being definitely counteracted by switch to synthetics. In 1950, 13 million pounds of rayon were used in the rug industry against 200 million pounds of wool. The rayon fraction will expand perhaps fourfold in 1952, and profitability in the entire trade may importantly depend on the substitution of rayon for a major portion of previous wool requirements. Meanwhile rug demand, spurred by more attractive prices, is on the upturn. Further, the carpet industry is today in better position to keep wage rates within reasonable bounds than other more prosperous lines.

So while, at the moment, the carpets are down, there is much logic to suggest that if they have any place to go right now, it may be up. And if that idea impresses you, then delve further into the above items, and perhaps extend your research to include Mohawk and James Lees & Sons. This field may offer no royal road from rugs to riches, but it might build up a cushion of market profit!

Natural Gas Transmission Industry

By L. E. KATZENBACH*

Partner, White, Weld & Co.
Members, New York Stock Exchange

Mr. Katzenbach reviews development of natural gas industry and its favorable competitive position as source of fuel and power. Says, despite optimistic outlook, natural gas transmission industry has its problems, such as higher taxes, increasing cost of product, and current low rates and charges. Holds natural gas reserves are sufficient to carry gas transportation companies beyond two decades, and their sinking funds are ample to liquidate their high capital indebtedness.

Looking back over the last several years the record of the natural gas transmission industry stands out as one of really remarkable growth and progress. Paralleling this growth there has been a corresponding broadening of investor interest. I am sure, for example, that almost all of you feel you have a much better understanding of the industry today than was true several years ago. Things have happened so fast, however, that it may be helpful to refer initially to a few basic facts about the natural gas transmission industry and to stand back, as it were, to have a perspective look at the industry picture today.

The driving force of our economy depends upon four principal sources of energy. Many of you may be surprised to know that natural gas accounts for about one-fifth of the energy consumed in this country. Petroleum accounts for about a little better than than one-third; coal for a little bit more than two-fifths; and water power for the balance of about 5%. Ten years ago natural gas accounted for only about 10% of our total source of energy. No wonder the coal interests have been so active in opposing expansion of the natural gas transmission industry! The increasing share of the source of energy contributed by natural gas has come about largely at the expense of bituminous and anthracite coal.

It is fundamental to a clear understanding of the position of natural gas that we recognize the competitive position of natural gas with coal and oil. This picture cannot be covered thoroughly in a brief discussion; however, we may observe a few important basic facts.

Competitive Position of Natural Gas

For industrial applications the most important competitive factors are price per Btu, expense of handling and dependability of supply. For residential and commercial applications the same factors must also be taken into consideration, but in their case, and particularly in the residential category, convenience and ease of handling are apt to weigh more importantly than the matter of price alone.

In order to illustrate the competitive advantage of natural gas, we may cite some price comparisons. Taking an average of 8 large cities where natural gas is available, we find that for heating purposes natural gas undersells coal by about 10% and undersells oil by about 25%. Unquestionably natural gas as a source of fuel for heating is preferred by most home owners quite apart from the price consideration. This has been very forcefully demonstrated by the fact that in some communities where only high cost manufactured gas has been available the gas companies have in the past been unable to supply the demand for gas for house heating, even though the cost to the customer is materially higher than the cost of oil. Consider, then, the competitive position of natural gas in areas where it's actually cheaper to heat with this preferred fuel.

Perhaps most of you are aware of the reason why natural gas is available in so many areas at less than the customers would be perfectly willing to pay. First of all, natural gas has been available in the Southwest at low prices because supplies have been so much greater than the demand—the demand consisting of that needed for local use plus the capacity of pipe lines to carry the gas to other markets. Secondly, the pipe line companies are not permitted to sell the gas which they deliver at a price reflecting its economic value because if they did so, they would earn more than what is considered a fair rate of return on their property investment or their rate base. Carry this a step further: the distribution company which buys gas on an undervalued basis from the transmission company is likewise not permitted by state regulation to charge what the market can bear, or it too would earn in excess of a so-called fair rate of return.

As you all realize, the price of natural gas in the field has been increasing as a direct result of a substantial growth in the local demand from industry and other users and, because of expansion in pipe line capacity. The pipe lines, also experiencing higher expenses and taxes, are now being forced to raise their rates in order to offset these increases. The question arises: will not natural gas lose its competitive advantage and

Continued on page 36

*A talk by Mr. Katzenbach before Eastern Pennsylvania Group of the Investment Bankers Association of America, Philadelphia, Pa., April 25, 1952.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A slight improvement was noted in total industrial production last week which reversed the decline of the three preceding weeks and once again placed the nation's output on a par with the high level of a year earlier. Armament, chemical and machine-tool plants offset the year-to-year drop in the production of textiles and some consumer goods.

In the field of employment, claims for unemployment insurance benefits dipped for the eleventh straight week, but continued to be about 31% higher than a year ago.

Steel ingot production last week rose to 100.4% of capacity, which was almost the level before the wage-price dispute hampered operations.

Steel companies won't bite on the $3-per-ton price bait the government is dangling in the hope of landing a whopping wage increase for steelworkers, according to "The Iron Age," national metalworking weekly, since granting the full wage increase of 26 cents an hour (30 cents by industry figures) recommended by Wage Stabilization Board would cost steel firms $12 a ton, or four times the amount the government is using for bait.

The $3-per-ton price "relief" comes in the form of cost-price adjustments under the Capehart Amendment to the Defense Production Act and it covers higher costs between Korea and last July 26. The industry is entitled to it under the law, and it has nothing to do with price relief to offset any current wage increase to be granted, this trade journal points out.

Normally, industries eligible for price adjustments under the Capehart Amendment take the initiative in asking Office of Price Stabilization to issue a specific price regulation. But the steel industry has refrained from seeking Capehart adjustments. Steel people feel that accepting such increases would weaken their case for higher prices to offset higher wages recommended by WSB. A total price rise of $5 to $5.50 a ton may finally be granted to offset partly the cost of the wage package.

It has been suggested, this trade authority observes, that Commerce Secretary Sawyer might put the price increases into effect, since he technically operates the steel companies as a result of President Truman's seizure order. This is to be doubted. Such a move would compound legal actions which companies are already bringing against the government.

On Tuesday of this week, Federal Judge David A. Pine ruled that President Truman's seizure of the steel industry was unconstitutional and stated he would prohibit Steel Administrator Sawyer from enforcing any White House seizure orders.—[Ed.]

Although the steel market is definitely tighter than it had been in recent weeks, consumers aren't impressed. Their inventories remained relatively intact through the short shutdown. They are generally sitting tight with an adequate supply of steel. While products such as carbon bars and heavy plates and structurals are tight in all areas, hunger is gone from the market, this trade magazine states.

Many consumers are looking right past current shortages. What they see is making them cautious. They expect steel to be easier during the second half of the year. A good many (but not all) steel people share this view. One producer is reported to have told a scrap supplier he expects no better than 85% operations during the second half of the year, this trade weekly notes.

Return to a competitive market in steel may touch off one of the bitterest scrambles for business in the history of the industry. Producers are looking at already high breakeven points, a decline in net income percent of sales, higher debt, higher fixed costs. If competition really gets tough they'll trim selling prices—both base prices and extras. First, though, they'll reduce the cost to the consumer by paying part of the freight charges, concludes "The Iron Age."

Automotive output last week rose nearly 3% to reach a new high for 1952, according to "Ward's Automotive Reports." An estimated 125,799 cars and trucks left United States assembly plants, compared with the previous high for the year of 124,035 at the close of March. Output was still well under the 153,586 units built in the like week of 1951.

General Motors accounted for much of the gain in production. Saturday overtime is being scheduled at several General Motors

Continued on page 32

How To Defeat Moscow's New Offensive

By A. WILFRED MAY

This is the third in a series on the implications of the International Economic Conference in Moscow, which Mr. May attended as a correspondent.

A. Wilfred May

The insincerity of Moscow's gestures of vast imports made to the West during the recent Economic Conference (the pilot step in a new offensive), has been quickly and effectively demonstrated in her arbitrary break-off of trade-agreement negotiations with Norway.

The true character of the Soviet's blandishments of purchases of large quantities of surplus textiles, and the sound reaction of the British Government — as contrasted with the "amateurs" who bivouac outside the Kremlin—has just been well depicted by Mr. Henry Hopkinson, its Secretary of Overseas Trade.

"I welcome any genuine arrangement for selling more of our textiles to any country and by whatever method it may be negotiated, however unorthodox," says Mr. Hopkinson. "It is quite untrue that, as frequently suggested in Communist circles, the United States Battle Act [which restricts shipment of strategic materials, among other provisions, to the Soviet bloc] or our own restrictions on strategic grounds entail an embargo on our trade with the countries behind the iron curtain. There is already a large exchange of trade between the United Kingdom and east European countries, notably the Soviet Union. There is also an immense range of textiles and other goods which we should not only be prepared but pleased to sell to the U. S. S. R., the east European satellites and China.

"I myself, when taking part in the seventh session of the United Nations Economic Commission for Europe in Geneva, made an appeal on March 7 to the eastern European delegates to buy more textiles and consumer goods from western Europe. I met with no response other than pious generalities in regard to the need to increase east-west trade.

"Now we hear of these sensational offers to British visitors to the Moscow conference. The fact is that there was no need for these special negotiations to enable our export trade to be expanded. That trade is there and always has been there for the taking. There is no barrier on our side to the negotiation of new business in non-strategic goods through normal commercial channels.

"The Board of Trade has been pressing official Soviet representatives in London for a considerable time to buy our consumer goods. Many of our exporters also were in touch with them long before the Moscow conference was planned. As far as China is concerned, there are old-established British business firms in Hongkong and in China itself only too willing to take orders for textiles and other consumer goods. There was no need to go to Moscow to negotiate these deals.

"It is ironical that at the very moment that the conference was taking place a fresh drive was launched in China to squeeze out the British merchants still attempting to carry on trade. While the amateurs are disporting themselves in Moscow export traders established for generations in China, who have, moreover, pinned their hopes on continuing to do business with Communist China, are being increasingly squeezed out. The whole present policy of the Chinese authorities is the negation of the proposals which are now being brought back by delegates at the Moscow conference."

Our Vulnerability

Despite the wide-open loopholes in the Soviet's "Conference Show," it must be emphasized and re-emphasized that its strategy is diabolically clever and its objectives must not be handed over by default. Stalin's picture of the Battle Act and our fictional embargo on Western shipments of non-strategic as well as strategic goods, with our alleged aggravation of their national unemployment and foreign exchange problems, has undoubtedly inserted a new wedge between us and our so-so friends, and widened the already-existing wedge between us and the many outright anti-Americans throughout the world. Furthermore, to our own nationals the Conference-device will be highlighting the fact that many of our "allies" do trade with the Russian bloc, a factor which would grow more serious if we run into a business depression.

In the military sphere, too, the strategy of this economic offensive may do us great harm; in softening up our Allies' armament activities by continued hammering-in of the thesis that—instigated by us for our nefarious selfish interest—they are interfering with trade and living standards.

Affirmative Counter-Action

What can we do to combat this new Soviet-propelled offensive via the economic front? Fortunately there are definite constructive steps which we, as spiritual and material leader of the West, can and must take.

First, we can tell the world the economic facts of life, as they pertain to Moscow's trade blandishments. The very small figure that Russia can possibly cut in the world trade picture should be meticulously explained—in lieu of resorting to epithets like "propaganda" in characterizing her past and future conference activities.

Again, the inconsistency between the Kremlin's agitation for a Silk Curtain for trade, on the one hand, and its Iron Curtain elsewhere, should be pointed out. With the Oatises holding valid American passports residing in Soviet jails or worse, what appetite shall our businessmen have for chasing orders behind the Iron Curtain?

Sense in Our Trade Policy

But mere words will not suffice in the level of constructive action; trade policy with our Western friends must be remedied in the direction of reversing our increasing tendency toward raising our barriers and furthering over-all autarchic policy. We must stop the avidity of special interests in trying to exploit the escape-clause provisions of the Trade Agreements Act of 1951. Election year or not, the Secretary of Agriculture must refrain from catering to the farmer with import quotas which are provided for his use under a rider to the Defense Production Act. And proposals like Senator Capehart's for low import quotas on a long list of raw materials must be deemed completely out of order. If we don't want our friends to fall for the Kremlin line, the least we can do is to trade with them ourselves!

We must either fish or cut bait with reference to Point Four-ism. As a result of the new Stalin Plan promises of unlimited quantities of capital goods for underdeveloped countries, combined with their instigated grousing over our strings and "niggardliness," it will behoove us either to withdraw completely from our present Point Four program or else chase our dissatisfied beneficiaries with ever-increasing largesse.

A Clearcut Political Program Vital

But it is in the political sphere that it is most important for us to get our house in order. Our valid indictment of Moscow's trade maneuverings rests on the fact that trade questions exist within a controlling political framework. Hence we must decide in a clearcut manner and explain to our friends just what our long-range political policy is — regarding Cold-Hot-Tepid Warism, and Containment, with us calling the shots. Without a clearcut political policy, it will remain impossible for our friends or ourselves to act intelligently or consistently in matters of trade—and to combat either the Kremlin's economic or political offensives!

How to Improve Public Debt Management

By DONALD B. WOODWARD*
Second Vice-President, Mutual Life Insurance Company of New York

Asserting essential problem of public debt management is to lessen forces for economic, political and social instability, Mr. Woodward recommends: (1) adoption of Senator Douglas' proposal that Treasury follow Federal Reserve's lead on monetary policy; (2) correction of inflationary bias of Employment Act of 1946 by stressing importance of maintaining constant value of dollar; (3) increase in interest rates on Federal securities to encourage buying and holding by non-bank investors; and (4) more reliance on "market place" as guide in Treasury financing.

The public debt must be discussed with the greatest respect. For one reason, it must be judged very nearly hallowed and sacrosanct, so diligently has it obeyed that injunction given to earthly things on both the fifth and sixth days of Creation. "Be fruitful, and multiply."[1] For another reason, the public debt makes each of us a debtor, and the poet solemnly tells us:

Donald B. Woodward

"The time for payment comes, early or late,
No earthly debtor but accounts to Fate."[2]

And for yet a third reason, we should discuss the debt with respect: Alexander Hamilton has assured us that "a national debt, if it is not excessive, will be to us a national blessing."[3] — and some of the current-day pundits seem to go farther to suggest that the greater the debt the greater the blessing.

I shall try, respectfully, to make six main points covering what seems most important about the creature.

Salient Features of What Is Called the Public Debt

First, let us look at some of the salient features of what is called the public debt, and how it has evolved in these regards since 1930. This will require about five minutes of fairly heavy statistical discussion, lightened by pictures, after which the going will be easier, I hope, for those less numerologically minded.

Size: The total of what is called the public debt at the end of 1951 was $260 billion. This was $7 billion more than at the end of 1948 just before the last business recession but $18 billion lower than at the end of 1945. It was more than four times the total at the opening of World War II and 16 times that at the end of 1930. Barring Treasury receipts and/or expenditures very different from what is now expected, this total will rise several billions during the next 24 months.

How is this large amount constituted? Have there been significant trends in the vast increase over the 21 years?

Types of Issues: Almost a third of the total at the end of 1951 was made up of bills, notes, certificates, and non-interest-bearing paper, and another third was made up of marketable bonds. The remaining third was made up of special issues and savings bonds, with the special issues making up about a seventh and the savings bonds about a fifth of the total. From 1930 to date there has been a declining tendency in the proportion of the debt that is marketable, and particularly in the proportion in marketable bonds, offset by a sizable rise in the proportion in the form of savings bonds and special issues. All this is shown in a chart which I have entitled "Public Debt by Type of Issue." This chart has been constructed to show the relative size of the total debt in the width of the bars, and the percentage distribution of the debt in the divisions of the bars.[4]

Let us look farther.

Maturity: Just over half of what is called the debt at the end of 1951 had a maturity within five years, and almost another quarter was savings bonds, which are payable on demand. The trend toward another and shorter term has been persistent: Twenty-one years ago the Treasury could not be called on to meet about three-quarters of the debt for more than five years; now it must be prepared to meet three-quarters of the vastly larger total within five years.

Ownership: Nearly half of what is called the public debt was at the end of 1951 held by commercial banks, Federal Reserve banks and U. S. Government accounts, and more than an additional fifth was held by owners of savings bonds. This left less than a third of the total held outside of commercial banks, government agencies and holders of demand paper. To state it the other way, at the end of last year less than a third of the debt was held by non-Federal Government, non-banking investors willing to hold other than demand paper. Over the years there has been a persistent trend toward a smaller proportion of the debt in the hands of non-Federal Government, non-banking investors willing to hold other than demand paper.

Coupon: Only an eighth of what is called the debt now bears a coupon rate of more than 2½%. All the rest carries 2½% coupons or less, or is in variable rate paper payable on demand. The proportion over 2½% is slightly higher than in 1945 or 1948 but far below prewar.

To summarize—and to leave the statistical forest—what is called the public debt over more than a fifth of a century has been greatly enlarged and its make-up enormously altered in every important regard. The first point I want to make is that the debt is much larger, but a much higher proportion is in non-marketable form, in shorter maturity, held by non-traditional investors, and in lower coupon.

Salient Features of the Entire Public Debt

I have carefully referred to the $260 billion which I have been discussing as "what is called the public debt," and the second point I want to make concerns the nomenclatural qualification. The fact is that in the public debt—and in some other subjects as well—we are the prisoners of past conventions and, like the bygone horse, wear blinders which hide from us important parts of the landscape.

Had you thought that the public debt now in fact is lower than at the end of the war? Let me read to you from the Federal Reserve Board's reply to the Patman Subcommittee questionnaire:

"Federal lending agencies comprise more than 20 individual agencies that make credit available of specified types or to specified groups of private borrowers either by lending directly or by insuring or guaranteeing loans made by private financing institutions. Altogether these agencies are responsible for a substantial volume of credit extensions. Their outstanding loans and loan guarantees or insurance, domestic or foreign, have increased at an average annual rate of $5½ billion since 1946, and totaled about $38 billion in mid-1951."[5]

Little if any of this is included in what is customarily called the public debt. But while suggestive that something goes on that is not just what it seems in the conventional view, this statement is far from all-inclusive. It covers only the lending agencies, while in fact there is much more. Let me propose a definition of the public debt to you.

The public debt actually is a mass of contracts to transfer monetary claims within society through the Federal Treasury, with the tax power as the ultimate sort.[6] The $260 billion usually called the public debt is a part, but only a part of that total, and the addition of the lending agency total as tabulated by the Federal Reserve still does not provide the whole story. The public debt, in addition to the conventional part now standing at $260 billion, is made up of guarantees and insurance of a huge volume of real estate loans, commitments to make subsidy payments on numerous large real estate developments, commitments to make payments to millions of individuals upon the occurrence of a large number of contingencies, insurance of a great volume of bank deposits and shares in savings and loan associations, commitments to make payments certainly or on some contingencies to a number of foreign countries and international agencies—to mention some of the major ones.

So beblinkered—to use a term from Alexander Sachs—have we been by the obsolete conventional concept that no measure of the public debt has been developed. We do not know, we do not even have an approximation, of the total public debt. We don't even know how to measure it or to value it.

Not knowing the total, nor the amount of many of the constituent parts, we cannot analyze the large non-conventional, but very real, part of the public debt. But the available evidence indicates that it accentuates, quite markedly, the salient feature we discovered in looking at the conventional part of the debt. A large part of this non-traditional public debt is payable on demand, or on short-term if contingencies materialize. An important part of this non-traditional debt bears no interest rate, or a low rate—at least lower than if it stood on its own without the government endorsement. An important part of it is held by unorthodox owners, particularly bank or government agencies. Most of it is in types of issues that holders would not accept, at least in such volume, without special privilege: in this case the government stamp. And the volume itself is largely the direct and exclusive result of government action.

My second point is that the true public debt is in fact much larger than is usually understood by our imprisoned concepts, but that the salient features discovered by a review of what is usually regarded as the public debt actually are true to a large extent also of the whole.

Public Debt and the Supply Of Money

The growth of the public debt, and the trends of its constituent parts, have, as is well known, had a profound effect upon the total money supply — currency and bank deposits—of the American public. Largely as a consequence of the growth of the debt with the characteristics we have seen, the money supply is now 3.1 times that of 1930, 2.3 times that of 1941, and 12% higher than in 1945.

The third point I want to make and to explore a little, is this tremendous alteration, caused by the public debt, in the supply of money. Let us look at it a little more.

Given the magnitude of the increase in the public debt, and the war time conditions under which much of it was done, I am sure that the monetary system had to help. Furthermore, there appears to be a secular trend to increased use of currency and bank deposits in this country. And the conditions of the 1930's and then of the war may have accelerated that trend. So it would have been surprising if the public debt had not greatly affected money.

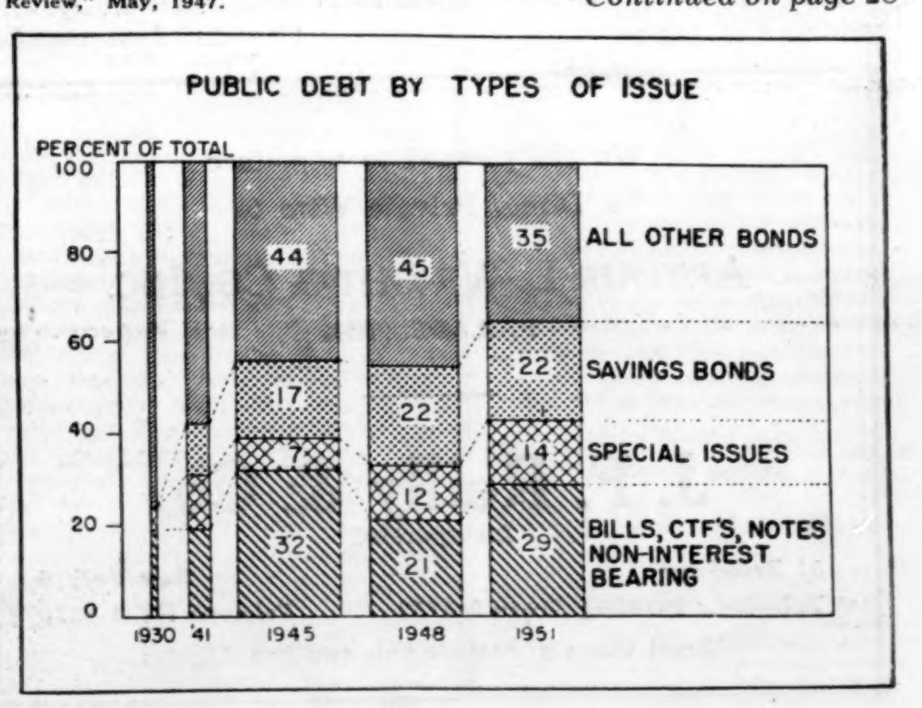
But the question is the magnitude. If one compares the increase in the money supply from the end of the prosperous 1920's to the end of the war the increase is far larger than can be explained by allowance for the growth of population plus the rise in prices plus a liberal allowance for increase in productivity. One must make an extremely large allowance for psychological and secular factors to account for the balance.

This seems to raise another question. It has puzzled me for years. Why, during the war and since, have people been willing to lend the government such large amounts of funds at no interest, foregoing any return at all on their funds? That is what the large rise in currency and demand deposits means.

That the return offered by the Treasury was too small a reward to make people forego liquidity seems one plausible explanation. Perhaps the money supply rose as much as it did, and so much of the debt is held by the monetary system as we have seen it to be, because the reward offered to invest simply was inadequate.

My third point has been to note

Continued on page 28



*An address by Mr. Woodward at the Spring Meeting of the Academy of Political Science, New York City, April 24, 1952.

1 Genesis 1, 22 and 28.
2 "The Widow in the Bye Street," by John Masefield.
3 Letter to Robert Morris, April 30, 1781.

4 For this and subsequent charts and much other aid in preparation of this paper, I am indebted to my colleague, Mr. Norman Miller.

5 Monetary Policy and the Management of the Public Debt, U. S. Government Printing Office, 1952, p. 269.
6 For more extensive discussion, see "Public Debt and Institutions," by Donald B. Woodward, "American Economic Review," May, 1947.

Outlook for Banking and Business

By RAYMOND RODGERS*
Professor of Banking, New York University

Though predicting well managed banks can face future with confidence, Professor Rodgers foresees them subject to higher taxes and expenses. Says, however, earnings are likely to be good, unless banks engage in cut-throat competition for savings deposits. Warns caution in banking operations, because of money market and economic uncertainties. Sees danger of over-production of both capital and consumer goods when defense spending is reduced, since, even under present high demand, there are no serious backlogs of orders. Looks for no rise in interest rates.

As the indispensable servant of business and government, banking must weigh the economic and the fiscal potentialities to determine its own outlook. In a directed economy such as we "enjoy," this is particularly difficult to do, as there are so many contradictory government policies. As one economist put it: "As regards rent, the Federal Government regulates for the tenants. As regards farm prices, the government regulates for the farmer. As regards consumer prices, other than food prices, the government regulates for the housewife. As regards fiscal policy, the government fears the taxpayers and inflates the economy with bank credit. Special interests are served and the general interest goes by default when a democratically elected government regulates the economic affairs of voters."

Raymond Rodgers

Importance of International Developments

And to further complicate the problem, domestic developments will very largely depend on international political developments. Russia controls our government spending more than we do ourselves. Developments in Korea and the other far-flung outposts of our participation in world affairs affect every household in America.

So, bankers, whether internationalists or isolationists, must nonetheless keep their eyes on the international tug-of-war between Russia and her satellites and the free Western world to ascertain "the shape of things to come" in America.

Closer to home, in fact right across the border from you Michigan bankers, Canada has embarked on the greatest program of expansion in her history. Her new investment in material and industrial resources will reach the amazing total of $5 billion for the current year. Considering population, this is equivalent to a $50 billion capital expenditure rate for us, or nearly twice the highest peak we ever attained. This means that in addition to importing American capital, she will need larger quantities of goods, especially machinery and equipment, which should be very good news for Michigan industry.

Still another important influence on banking this year—if I dare mention it in Michigan—will be the election. Without taking sides too much, let me say that it will be a crucial one, and that it can have important and far reaching influences on business and banking.

Recognizing that there are almost infinite numbers of factors and forces throughout the world which could modify, or even invalidate our conclusions, let us nonetheless analyze the outlook for deposits, loans and investments. These principal activities of banking are so sensitive to outside influences that our observations may be out-of-date by tomorrow morning, but if you will kindly pay more attention to my reasons than my conclusions, you will be able to revise the estimates as new developments necessitate.

Deposits Will Increase

Deposits will continue to increase in 1952. In fact, ever since 1940 it has been a good bet that deposits will increase, as they declined in only two of the intervening years. It has been an even better bet that deposits outside of the financial centers would increase, as there has been a continuous shift from them in recent years. For example, the Central Reserve banks in New York City held 30.5% of all member bank deposits in 1940, but they hold only 18.6% now. This, of course, represents a tremendous shift of banking resources.

Savings deposits, with local exceptions, will increase in 1952. Higher wage rates, full employment and a lower level of durable consumer goods sales will make savings *possible*. Greater international stability and disappearance of the fear of inflation will make high level savings *probable*.

The recent Federal Reserve Board study of consumer intentions—incidentally, a survey made by the Survey Research Center of the University of Michigan—discloses that less than three out of ten of those questioned, considered 1952 a good time to buy. This was a reduction of 25% in the number of optimists from one year earlier. So, it confirms the view that people will continue to save 10% of their disposable personal income after taxes, even though the 1946-50 average was only 4.8%.

Competition for savings is growing. This is especially true of competition between different types of savings institutions. May I urge caution on all hands. This is a race that no one can win. In particular, commercial banks must not be deluded into thinking that they can compete with the savings banks or savings and loan associations on the rates paid on savings. Commercial bank loan and investment policies are based on different principles because of their liquidity requirement. This is no time to permit a deterioration in the quality of earning assets in order to pay higher rates.

The trend of demand deposits will depend on the lending and investing activities of the banks. As the trend of both loans and investments should continue upward, the outlook for demand deposits is also on the plus side.

Loans Will Increase

Commercial loans will increase because of the larger physical volume of business. Defense loans, in particular, will continue to increase. High taxes and the acceleration of payment will also contribute to loan volume, but this has been somewhat overrated as was evidenced by the unexpected ease in the money market over the March 15 payment period. The high cost of doing business, however, is quite another matter. Now that higher costs cannot readily be passed on to consumers in higher prices, now, and I might add more risky avenues of credit extension are opening up for banks.

This increased dependence on bank credit will create serious problems for business. In particular, small- and medium-sized enterprises without access to the capital markets may look to the banks for more credit than their capital structure warrants. If it is denied—and if they are not entitled to the credit, it should be denied — they may initiate renewed demands for lending by the government. Bankers should make every effort to meet the legitimate credit needs of all such applicants, even if they have to take time out to teach them the "financial facts of life." Advice on inventories and accounts receivable are practically always needed by such enterprises. In any event, bankers must convince such applicants of the sincerity of their desire to help if it can possibly be done with safety to both the borrower and the bank.

Credit Problems Will Increase

For some time now, our boom has been on borrowed time. It is getting a little tired. The working capital position of most businesses has been steadily getting worse. The credit man is once more coming into his own. Regardless of title, the man who passes on the credit risk has again become the indispensable protector of banking virtues. Credit problems which we have not seen for twenty years are building up, and the wise banker will recognize this fact and take the necessary precautions.

The relative positions not only of individual businesses but of entire industries has changed. For example, the production of rayon, nylon, orlon, dacron and other synthetic fibers has increased about 253% *above* the 1939 level, but employment has increased only 23%! The output per manhour is now about 190% *above* the 1939 level, and represents one of the greatest gains ever made in productivity.

Or, take consumer durable goods as another example. A demand that for ten years appeared insatiable (as the economist would put it!) suddenly faded away until it has become weak and anemic. Consumer credit controls were blamed, but you and I know better. The high cost of groceries, high personal income taxes and consumer expectation of lower prices have also all been blamed for lagging sales. But what appears to me to be the obvious reason has been largely overlooked. I refer to the distinct possibility that the American people may have come to the conclusion that they have enough of these modern conveniences! Do you realize that since *the end of 1947* alone, manufacturers' sales of consumer durable goods have reached these fantastic totals:

Radios	75,000,000
Refrigerators	20,300,000
Toasters	17,300,000
Washing Machines	14,900,000
Electric Irons	28,700,000

Weigh these totals against the fact that we have only about 40,000,000 household units in the United States, and you will agree that, in general, the hope for consumer durable goods sales must be based on the *replacement* market. This means new models, lower prices and, above all, salesmanship.

In this connection, you should keep another fact in mind. Residential mortgage debt has climbed from $19 billion at the end of 1945, to a total which will probably reach $58 billion by the end of this year. The American consumer has to pay *interest and amortization* on this greatly increased debt — obviously, that takes a lot of "coconuts."

Risk of Overproduction Will Increase

In 1952, as in all other recent years, we shall greatly expand our production facilities. In fact, since the end of World War II, more than half of all corporate income after taxes has been used to improve plant, equipment and methods, and to experiment and expand. On a dollar basis, we shall have put in place $132 billion of additional plant and equipment by the end of this year. More specifically, the recent survey by McGraw-Hill shows that on the basis of 1939=100, all manufacturing at the end of 1951 had a production capacity of 187, which will rise to 203 by the end of this year. The increase in capacity in some lines is almost unbelievable, for example the following: transport equipment (other than autos), 354 at the end of 1951, 403 at the end of 1952; machinery, 271 and 307; chemicals, 322 and 357; and electrical machinery, 354 and 403. As these enormous increases in capacity indicate, bankers, particularly when making loans, should keep the very real danger of overproduction constantly before them.

"Scare" buying got us ahead of ourselves on purchases of con-

Continued on page 29

*An address by Dr. Rodgers before Correspondents Meeting, the Manufacturers National Bank of Detroit, Detroit, Mich., April 24, 1952.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Building Industry — Analysis with particular reference to **American Radiator & Standard Sanitary Corp., Celotex Corp., Certain-Teed Products, Crane Co.** and **National Gypsum.**—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Canadian Oil Stocks—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a reappraisal of **West Pacific Railroad Company.**

Chemical Stocks — Annual review and comparison — W. E. Burnet & Co., 11 Wall Street, New York 5, N. Y.

Common Stocks for New York State Savings Banks—Tabulation—Richard E. Kohn & Co., 20 Clinton St., Newark 2, N. J.

Earnings Trend — Bulletin — Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill. In the same bulletin are data on **Florida Power & Light, Tampa Electric, San Diego Gas & Electric, Sperry Corporation, Cincinnati Milling Machine Co., Cutler-Hammer, Inc., Bristol-Myers Company, Gardner-Denver Company,** and **Gulf, Mobile & Ohio Railroad.**

Industrial Outlook—Bulletin—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Natural Gas News — Bulletin containing data on **Arkansas-Western Gas, Commonwealth Gas, Delhi Oil, East Tennessee Natural Gas, Hugoton Production, Kerr-McGee Oil Industries, Mississippi River Fuel, Natural Gas & Oil, Petroleum Heat & Power, Republic Natural Gas, Southern Production, Southern Union Gas, Southwest Gas Producing, Southwest Natural Gas, Tennessee Gas Transmission, Tennessee Production, Texas Eastern Transmission,** and **Western Natural Gas.**—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Petrochemicals—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y.

Profit Possibilities in 1952—Tabulation of 40 stocks—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Philadelphia Bank Stocks—Comparison of 11 largest Philadelphia Banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Steel Impasse—Review—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Tokyo Stock Quotations—Quotation of major stocks—Nomura Securities Co., Ltd., 1-1 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

* * *

Affiliated Gas Equipment—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **McQuay-Norris, Penn Dixie Cement** and **Pullman, Inc.**

Alaska Airlines — Bulletin — R. H. Johnson & Co., 64 Wall Street, New York 5.

Allis Chalmers Manufacturing Co. — Memorandum — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Bucyrus Erie Co.**

American Hospital Supply Corp.—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Ampco Metal, Inc.—Memorandum—Sills, Fairman & Harris, Incorporated, 208 South La Salle Street, Chicago 4, Ill.

Atlantic Refining Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Borg Warner Corp., Columbia Broadcasting System, McGraw Electric Co., Otis Elevator Co.**

Bettinger Corp.—Analysis—Boenning & Co., 1606 Walnut Street, Philadelphia 3, Pa.

Bullocks Inc. — Memorandum — Dempsey-Tegeler & Co., 210 West 7th Street, Los Angeles 14, Calif.

Carrier Corp.—Brief data—Abraham & Co., 120 Broadway, New York 5, N. Y. Also available are data on **Gulf, Mobile and Ohio Railroad, International Paper Company, Remington Rand,** and **Thompson Products.**

Central Coal & Coke Corporation—Analysis—George K. Baum & Company, 1016 Baltimore Avenue, Kansas City 6, Mo.

Chicago, Milwaukee, St. Paul & Pacific Railroad Co.—Memorandum—Dempsey & Co., 135 South La Salle Street, Chicago 3, Ill.

Christiana Securities Co. — New bulletin — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Columbus & Southern Ohio Electric—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y. Also available is a memorandum on **Houston Lighting, New England Electric System, Niagara Mohawk Power,** and **Standard Gas & Electric.**

Emhart Manufacturing Co.—Memorandum—Lester, Ryons & Co., 623 South Hope Street, Los Angeles 17, Calif.

Erie Railroad—Data—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y. Also in the same bulletin are data on **Lehigh Valley Railroad, Kansas City Southern Railway,** and **Pennsylvania Railroad.**

Harnischfeger Corporation—Annual report for 1951—Harnischfeger Corporation, Milwaukee 14, Wis.

Long Bell Lumber Corp. — Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a memorandum on **Rockwell Manufacturing Co.**

Mexican Gulf Sulphur Co.—Memorandum—Beer & Co., Gulf States Building, Dallas 1, Texas.

Missouri Pacific—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a memorandum on **Lamson Corp.**

Missouri Research Laboratories, Inc.—Analysis—Morfeld, Moss and Hartnett, 721 Olive Street, St. Louis 1, Mo.

New England Lime Company — Analysis—Dayton Haigney & Co., Inc., 75 Federal Street, Boston 10, Mass.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Niagara Alkali Co. — Memorandum — H. M. Byllesby & Co., 111 Broadway, New York 6, N. Y.

Ohio Match—Highlights—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also in the same bulletin is data on **Time, Inc.**

Polaroid Corporation—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Riverside Cement Co.—Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston, 9, Mass.

Rockwell Manufacturing—Bulletin—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Shaw Oil & Chemical Corporation—Report—Hunter Securities Corporation, 52 Broadway, New York 4, N. Y. Also available is a memorandum on **Palmer Stendel Oil Corp.**

Socony-Vacuum Oil Company—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Union Twist Drill—Data—Raymond & Co., 148 State Street, Boston 9, Mass.

Universal Match—Analysis—Friedman, Brokaw & Co., 711 St. Charles Street, St. Louis 1, Mo. Also available is a circular entitled **Opinion Regarding Dissolution of North American.**

Whirlpool Corporation—Analysis—Rogers & Tracy, Inc., 120 South La Salle Street, Chicago 3, Ill.

Federal Judge Voids Steel Seizure

Judge David A. Pine rules President Truman's seizure of steel mills was illegal act and grants steel companies preliminary injunction nullifying the Executive decree. Philip Murray, President of United Steel Workers, orders immediate strike.

On April 29, Judge David A. Pine, of the Federal Court in the District of Columbia, handed down a decision ruling that President Truman's seizure of the steel industry was an illegal act and he therefore granted a preliminary injunction, requested by the steel companies, nullifying the seizure. Following the ruling, Philip Murray, President of the United Steel Workers of America, CIO, ordered an immediate nationwide strike.

Assistant Attorney General, Holmes Baldridge, after the refusal of Judge Pine on April 30 to stay the injunction order, promptly petitioned the U. S. Court of Appeals in Washington to keep the strike-idled steel mills in the government's possession for six days, during which time the seizure dispute will be brought directly to the United States Supreme Court.

Following are extracts from the text of Judge Pine's ruling:

Defendant also contends that the Executive has an inherent power in the nature of eminent domain, which justifies his action. The power of eminent domain is a Congressional power. As stated by the Supreme Court in Hooe v. United States, 218 U. S. 323, 336, "the taking of private property by an officer of the United States for public use, without being authorized, expressly or by necessary implication, to do so by some Act of Congress, is not the act of the government."

The President therefore does not have the power of eminent domain, and the cases defendant cites do not disclose that he has anything in the nature of such power.

Instead, they relate to the right of the government to take and destroy property in connection with military operations. They set forth the stringent requirements for the exercise of this right and hold that, in some instances, there is an obligation, "upon the general principle of justice," to pay therefor. United States v. Pacific RR., 120 U. S. 227. These cases have no application to the issues here involved, and there is no merit to this point.

* * *

I shall next turn to defendant's claim that the courts are without power to negate executive action of the President. Defendant relies on the case of Mississippi v. Johnson, 4 wall. 475, where the Supreme Court held that the judiciary would not attempt to control the President. But in this case the President has not been sued. Charles Sawyer is the defendant, and the Supreme Court has held on many occasions that officers of the Executive Branch of the Government may be enjoined when their conduct is unauthorized by statute, exceeds the scope of constitutional authority, or is pursuant to unconstitutional enactment. Larson v. Domestic and Foreign Commerce Corp., 337 U. S. 682. Land v. Dollar, 330 U. S. 731. Philadelphia Co. v. Stimson, 223 U. S. 605. Lee v. United States, 106 U. S. 196.

There is no doubt, therefore, that the defendant is subject to an injunction, and the President not only is not a party but he is not an indispensable party to this action, as held in Williams v. Fanning, 332 U. S. 490. Hynes v. Grimes Packing Co., 337 U. S. 86. I find this point no bar to plaintiff's claim to relief.

Taking up the next point, namely, that the courts will not interfere in advance of a full hearing on the merits except upon a showing that the damage to flow from a refusal of a temporary injunction is irreparable and that such damage outweighs the harm which would result from its issuance, I first find as a fact, on the showing made and without burdening this opinion with a recital of facts, that the damages are irreparable.

The fundamental issue is whether the seizure is or is not authorized by law. In my opinion, this issue should be decided first, and that I shall now do.

There is no express grant of power in the Constitution authorizing the President to direct this seizure. There is no grant of power from which it reasonably can be implied. There is no enactment of Congress authorizing it.

COMING EVENTS

In Investment Field

May 1-2, 1952 (Galveston, Tex.)
Texas Group of Investment Bankers Association Spring Meeting at the Hotel Galvez.

May 4-8, 1952 (San Francisco, Cal.)
National Federation of Financial Analysts Societies Fifth Annual Convention at the Fairmont Hotel.

May 9-10, 1952 (Los Angeles, Cal.)
National Federation of Financial Analysts Societies Fifth Annual Convention at the Ambassador Hotel.

May 14-17, 1952 (White Sulphur Springs, W. Va.)
Spring Meeting of the Board of Governors of the Investment Bankers Association.

May 16, 1952 (Baltimore, Md.)
Baltimore Security Traders Association 17th annual summer outing at the Country Club of Maryland.

May 19-21 (Richmond, Va.)
Association of Stock Exchange Firms Board of Governors Spring Meeting.

June 6, 1952 (Chicago, Ill.)
Bond Club of Chicago field day at the Knollwood Country Club in Lake Forest.

June 6, 1952 (New York City)
Bond Club of New York outing at Sleepy Hollow Country Club, Scarborough, N. Y.

June 10-13, 1952 (Canada)
Investment Dealers' Association of Canada annual convention at the Algonquin Hotel, St. Andrews-by-the-Sea, New Brunswick.

June 13, 1952 (New York City)
Municipal Bond Club of New York annual outing at the Westchester Country Club and Beach Club, Rye, N. Y.

June 13, 1952 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at the Whitemarsh Country Club.

Impact of Foreign Developments On Business Conditions in the U.S.

By A. W. ZELOMEK*
Economist, International Statistical Bureau, Inc.

Mr. Zelomek, in reviewing international complications and their impact on economic conditions, expresses opinion adverse trends abroad are not likely to have any ill effect on business activity in United States during remainder of the year. Analyzes economic conditions and developments in foreign countries as they relate to domestic trends. Holds, from long-term view, there are strong prospects of continuing inflation.

With national elections coming up, all of us become very concerned and interested in domestic affairs. Even during the period of political campaigning, however, important though it is, we must not forget that the United States is a part of a whole world, and that it is affected by economic and political developments overseas—East, West, North and South.

A. W. Zelomek

Actually, in short periods of time, the industrial and economic structure of the United States is so big and powerful that its own inner impulses are far more important than those coming from abroad. Over long periods of time, however, conditions of prosperity and depression in other parts of the world will have both direct and indirect effects on business conditions in this country. Moreover, even in short periods, there are times when foreign impulses are decisive. Certainly, the trend of prices and business activity in 1950 was decisively influenced by the invasion of Korea. And as another example, most of us are old enough to remember what followed the devaluation of British sterling in the early '30s.

As a first question, purchasing agents must, therefore, ask themselves whether some dramatic new development abroad is likely to tip the economic balance in the United States sharply up or down during the remainder of the year.

I will admit any answers to such a question involve a certain amount of guesswork, not just about the economic structure, which we must always try to estimate, but about political developments in spheres controlled by totalitarian regimes. Let me, therefore, separate the economic from the political.

World Economic Trends

There is little danger, in my opinion, that adverse trends abroad will have any important depressing effect on business activity in the United States during the remainder of this year. The weak position of some foreign currencies, including sterling, and memories of what followed the sterling devaluation of the early '30s, have caused some fear that history will repeat itself. I believe personally that such a chance is small, since the present world situation is so vastly different from that of the earlier period.

This by no means implies that economic conditions throughout the world are favorable. On the contrary, it is hard to look at a globe and find a spot where immediate problems are not present. For example:

Great Britain is in trouble throughout the entire empire system. Australia is little short of cutting itself completely loose from the pound sterling.

France is the continued victim of perennial depressions or the threats of depression. These economic trends are close to the political life of the country and produce an inherent instability.

Western Germany, which has made an important recovery from wartime conditions, will now begin to suffer from limitations being placed by other countries on imports. There is already a hard core of unemployment in Germany which is an aggravating problem for the Western powers and for the internal government.

Throughout the Near East, and in India, economic questions are asked and answered in an atmosphere of political strife and indecision.

Similar problems are brewing throughout Africa, which is becoming a center of world tension and where various protectorates in no way relieve the problem of administration.

In Latin America, there are almost as many powder kegs as there are countries. The mere fact that no one of these powder kegs, if it explodes, is likely to blow up the world in no way minimizes the importance of the uncertainties that exist below the border. Communist influence in this area is swinging in the direction of support of nationalism and neutrality — neutrality between East and West.

Some sort of a mutual support program with Brazil is in the offing. For one commodity at least—coffee—this implies a firmer foundation under prices. In another respect financial positions in this area will probably improve, since American investors will now feel more secure.

Argentina has been, and continues to be, a perplexing problem to those who must buy wool or hides, Argentina's principal exports. Conditions are so shaky that it remains an open question whether surplus commodities will be dumped, in order to bolster trade, or whether revolutionary developments might cut off exports entirely.

In the Far East, economic problems are also exaggerated by political conditions.

The Korean negotiations go on and on, a plain sign that the Chinese Communists do not need or want a cease-fire.

French Indo-China is an almost equally critical area, where the French, despite recent United States aid, are almost ready to give up. These two areas at the moment are key points and the mere fact that the outcome is still indecisive, after almost two years of conflict in Korea, indicates the intensity of the problem in Asia.

World Political Trends

It is plain from what I have just said that it is difficult to separate world economic from world political trends. I have not mentioned a single area, in the economic sense, where the influence of political trends or outward pressures could be ignored.

In a broader sense, however, world political trends can be considered as involving the question of war or peace on a worldwide scale.

In such a question we are in effect attempting to read the minds of the Politburo in the Kremlin. However, this is what the Western World is faced with at the moment, so we would be doing less than our duty if we failed to make the attempt.

Within the past few weeks there has been a change of line in Russia. Proposals for negotiations on Western Germany have emphasized everything that the German Nationalists could want, even to a revision of the borders set in the Potsdam Agreement. A new phase of Soviet policy has opened. Germany, as could have been foretold, occupies the center of attention. It was bound to be so, since Germany has the most important industrial capacity in Western Europe, and since the problem of Germany has been the most perplexing one for the Western powers, particularly France.

In the Far East, there are also indications that Soviet policy will involve intensification of the cold war, rather than any hot wars which might provoke a major conflict. Russia and Communist China have used Korea as a proving ground in military weapons, and costs have been high. Russia's own rearmament program, according to private reports, has lagged. Production in armament plants has not reached goals set ahead of time, and new drives for increases in productive capacity are being organized.

Furthermore, Russian strategists apparently are making some allowances for the fact that this is an election year. The present administration has been criticized for the indecisive war in Korea. Another "incident" might lead to retaliation on the part of the United States, which would lead to a major conflict, according to the views of Russian strategists. This is to be avoided for another year or two, or until a time when Russia's internal programs of military production, and external programs of political penetration, have provided more security against an attack.

For these reasons I feel almost certain that there will be no more incidents like the Korean incident between now and November, probably between now and next Spring. Political warfare will be worked out on quieter but none the less important grounds. In general business terms this implies:

(a) No major development to stimulate general buying as occurred after the invasion of Korea, but

(b) No agreements of a sort that would lead to cancellation of the defense program.

Domestic Trends

In two important respects, the domestic economy right now is influenced by foreign developments. If it had not been for the invasion of Korea, we would not have an expanding defense program. If it had not been for the invasion of Korea the speculative buying wave in the last half of 1950 and early 1951 would not have developed, and there would not have been as severe a recession in consumers goods industries and in many prices as there has been.

Business in many industries, particularly consumers goods and particularly textiles, apparel, boots and shoes, and carpets and rugs, has been bad now for many months. In soft line industries, especially, the excesses built up during the post-Korean buying wave were large and the period of liquidation has been protracted. Furthermore, we happen to have many new fibers coming along now, in rapidly increasing supply, and the liquidation of some staple fabrics has been handicapped accordingly.

However, inventory reduction has continued for many months now in most of these industries. Even now, the rate at which most consumers goods are being passed on to the public is greater than the rate at which they are being produced.

Moreover, there is no danger this year that inventory recessions in some fairly important industries will set off a downward spiral of employment and income. True, we have had some local unemployment in mass production centers; but the rising level of government spending, the rising trend of defense output, and the relaxation of curbs on many types of civilian activity, underwrite a high level of business activity, employment and income throughout the year and into 1953.

Spending for new plant and equipment, though far smaller in dollar totals than consumer spending for goods and services, is nevertheless an important factor in the economy. Spending for new plant and equipment always generates a lot of secondary employment. A billion dollars spent for new plant and equipment is worth several times that amount in general economic terms. One of the very important recent changes, therefore, is the more liberal policy being followed with regard to certificates of necessity, which permit rapid depreciation.

You may recall that there was a big backlog of such work built up late in 1950 and early in 1951. Then, because material shortages were feared, policies were drastically tightened up. This backlog was eaten into last year, and reduced to a level of about $5 billion a few months ago. Now it is up to $12 billion, and we can probably expect a high level of spending for new plant and equipment to continue on into 1953.

A final factor must be considered. There was an almost complete collapse of new orders for civilian goods late last Spring and Summer. Since then, during the period of progressive inventory liquidation, new orders have continued to make an unsatisfactory showing.

This lag in new orders is one of the important factors influencing commodity prices. I believe, considering the extent of inventory liquidation that has occurred so far, and the prospect for continued high income, that we can

Continued on page 27

*An address by Mr. Zelomek before the Purchasing Agents Association of Washington, Inc., Seattle, Wash., April 25, 1952.

Pennsylvania Brevities

The directors of the **ACF-Brill Motors Co.** have voted to pay all accumulated back interest on its 6% income debentures "made possible by 1951's highest earnings record in the company's recent history," it was announced last Monday by C. W. Perelle, President.

A total of 18% interest will be paid consisting of 15% back interest accrued during the period from June 30, 1949 to Dec. 31, 1951, and 3% current interest for the period from Dec. 31, 1951 to June 30, 1952. Interest payments will total $688,158.

Payment of the 18% total interest will be made on June 30, 1952, upon surrender of Coupon No. 16 at the Land Title Bank & Trust Co. in Philadelphia.

With this declaration, all back interest on **ACF-Brill** income debentures will be paid to date, Mr. Perelle said.

* * *

Aluminum Co. of America and subsidiaries reported on April 26 sales and operating revenues of $138,726,812 for the three months ended March 31, 1952. Consolidated net income after taxes for this period was $11,749,459. After providing for dividends on preferred stock, the net income is equal to $2.28 per share on the 4,890,733 shares of common stock outstanding.

* * *

Lukens Steel Co. yesterday reported for the first two quarters of its 1952 fiscal year ended April 19 a net income of $1,623,603, after provision for current income taxes of $4,208,300, equivalent to 4.0% of sales, or $5.11 a share for 317,976 shares of common stock of the company. This compares with a net income of $2,010,353, equivalent to 5.7% of sales, or $6.32 a share for the corresponding first two quarters of Lukens 1951 fiscal year. No provision has been made in the 1952 figures for possible retroactive wage increases or for renegotiation applicable to United States Government supply contracts, Charles L. Huston, Jr., President, pointed out.

Sales of Lukens, including its By-Products Steel Co. and Lukenweld divisions, for the first two quarters of 1952 fiscal year amounted to $40,589,582, in contrast with sales of $35,069,886 for the corresponding first two quarters in its 1951 fiscal year.

* * *

Alan Wood Steel Co. in its report for the quarter ended March 31, 1952, shows net income after all charges and taxes of $411,558, equal after provision for preferred dividends to 55 cents a share on the 597,857 common shares outstanding. This compares with net income of $776,576 in the like 1951 quarter, equal after preferred dividends to $1.20 a share on the 578,492 common shares then outstanding. Total revenues in the 1952 quarter were $15,206,687 against $15,377,113 a year ago.

* * *

At the annual meeting on April 15, stockholders of **Sun Oil Company** authorized an additional 1,000,000 shares of common stock and approved an amendment to the charter which will permit the company to engage more intensively in the petrochemical field. The additional common shares, according to Chairman Joseph J. Pew, Jr., may be issued in connection with a possible stock dividend and an employees stock purchase plan. The company, it was revealed, will spend $110,000,000 for expansion purposes in the coming year. Mr. Pew forecast that profit margins in 1952, despite burdensome taxation, would approximate those of 1951, in which period the company reported record high earnings of $45,353,643, or $6.85 a share. The recent year, according to President Robert G. Dunlop, was featured by severe competition in the petroleum industry, and he expressed the view that a similar situation would continue without letup during 1952.

* * *

Net income of **Lehigh Coal & Navigation Co.** for the first quarter of 1952 will be almost 18% above the $253,505, or 13 cents a share, earned in the comparable quarter of last year, according to President Robert V. White. Addressing the company's annual meeting, Mr. White predicted a "promising future" for the anthracite industry and asserted that with normal weather the company's net income should at least equal the $2,600,000 figure of 1950 notwithstanding the current higher taxes.

* * *

William J. Woods, President of the **Pennsylvania Glass Sand Corp.**, disclosed that first quarter earnings will be somewhat better than was true in the same period of 1951, when the figure was $347,786, equal to 48 cents a share of common stock.

* * *

Stockholders of **United Engineering & Foundry Co.** paved the way for a 200% stock dividend at the annual meeting, having voted favorably on a proposed increase in common stock capitalization from 1,000,000 to 5,000,000 shares. The company has an order backlog of more than $100,000,000.

* * *

The Gulf Oil Corp. had first quarter earnings of $35,320,000, or $1.56 a share, as compared with $31,972,000, or $1.41 in the same period of 1951, it was announced by President S. A. Swensrud. The current year, he stated, promises to be one of stability in the oil industry.

* * *

A syndicate headed by Morgan Stanley & Co. and including Drexel & Co., Smith, Barney & Co., Merrill Lynch, Pierce, Fenner & Beane, Harriman Ripley & Co., Inc., Kidder, Peabody & Co., White, Weld & Co. and Stroud & Co. is handling a rights offering on behalf of the **Pennsylvania Salt Manufacturing Co.** Holders of common stock are being offered an opportunity to subscribe for 155,349 additional shares at a price of $48.50 a share. The rights expire on May 8. Pennsalt, producers of some 400 chemicals and chemical specialties, was founded in 1850 and has operated at a profit in every year since 1855. The company has paid a dividend on the common stock in every year since 1863, the second longest unbroken dividend record for a manufacturer listed on the New York Stock Exchange.

* * *

Lower mining costs resulting from the company's improvement and modernization program should be reflected in first quarter earnings of **Pittsburgh Consolidation Coal Co.**, it was announced by President George Love. Earnings, he said, should be slightly higher than the $3,201,293, or $1.49 a share, reported in the initial quarter of 1951.

* * *

Sales of **Electric Storage Battery Co.** for March quarter were approximately $25,900,000 against $26,200,000 in 1951 quarter and first quarter earnings were more than sufficient to pay quarterly dividend of 50 cents "although taxes are still having a considerable effect on our net income," S. W. Rolph, President, told the annual meeting. Company's sales of industrial batteries in the first quarter compared favorably with a year ago, but there was a decline in automotive battery business, Mr. Rolph stated. He added that orders received in the initial 1952 quarter were less than sales, and company reduced its backlog to approximately $32,200,000 as of March 31 from $34,600,000 at the end of 1951.

* * *

Sales and net earnings of **Blaw-Knox Co.** in the first quarter were almost double the results achieved in the comparable period of 1951, sales having risen from $20,440,733 to $39,803,533, and per share earnings from 38 cents to 72 cents. Net for the recent quarter was $1,016,373 as contrasted with $543,275 in the initial three months of 1951. Unfilled orders on March 31 totaled $123,000,000, compared with $110,000,000 at the start of this year.

* * *

The American Stores Co. reported March sales of $35,280,499 as compared with $37,849,315 in the same month a year ago. Operations in the recent month were curtailed because of a strike. For the 12 months ended March 29, 1952, the company's sales amounted to $510,451,526 as against $460,285,216 in the preceding 12 months.

* * *

Earnings of **Westinghouse Air Brake Co.** in the first quarter of 1952 amounted to $2,697,680, or 65 cents a share, as compared with $2,820,102, or 68 cents in the like period of last year. A backlog of unfilled orders totaling $55,460,000 will contribute toward satisfactory sales and earnings in 1952, it was stated by E. O. Boshell, Chairman of the Board.

* * *

At the annual meeting on April 24, shareholders of **Scott Paper Co.** approved an increase in the authorized common from 3,000,000 to 5,000,000 shares, and the authorized indebtedness from $4,000,000 to $25,000,000. Despite a 7% gain in sales for the first quarter to $32,405,048, net income declined to $2,527,327, or 81 cents a share, from $2,668,460, or 85 cents in the like period of 1951. The company, according to President Thomas B. McCabe, is considering a financing plan to cover construction costs of a new paper mill adjoining the Soundview division plant at Everett, Wash.

$50 Million World Bank Bonds on Market Shortly

New issue to be offered to investors about May 15 by nationwide syndicate headed by Morgan Stanley & Co. and First Boston Corp. Net income of Bank for the nine months ended March 31 was $12,507,639 as compared with $11,483,230 in preceding period.

The International Bank for Reconstruction and Development has arranged to dispose of an issue of $50,000,000 bonds through a nationwide underwriting group to be managed jointly by Morgan Stanley & Co. and the First Boston Corp. The issue, to mature in 23 years, is expected to reach the market about May 15 and will have a sinking fund provision which is calculated to retire about half of the loan prior to maturity.


Eugene R. Black

In connection with the issue, Eugene Black, President of the Bank, observed that adoption of negotiated underwriting in the current instance marks a change from the methods used in the offering of the institution's previous bond issues. Earlier undertakings were effected on an agency, non-underwriting basis or via the competitive bidding route. Relative to the decision to employ the negotiated basis, Mr. Black commented as follows:

"We have talked to a great many people about marketing procedure and we have been getting the virtually unanimous advice that this is the way to do it, and we have decided to do so. The main reason is that we have an unusual kind of bond, one which takes selling. It is bound to take investors some time to understand our security. Our present plan is to have the bonds marketed by a strong syndicate made up of dealers with a good record of selling performance.

"Such a syndicate will have a liability and should have a profit sufficient to make it worthwhile for them to undertake the job of explaining the security of the bonds."

Mr. Black also stated that the proceeds of the impending borrowing have not been applied to any specific purpose. It is the Bank's policy, he added, to borrow when its uncommitted funds go below $50,000,000. They are currently about $40,000,000.

Earnings Increase Reported

Net income of the World Bank for the nine months ended March 31, 1952 amounted to $12,507,639, compared with $11,483,230 for the nine months ended March 31, 1951, it was announced on April 28. The net income was placed in the General Reserve and increased this reserve to $54,662,85-.

Gross income of the Bank for the nine month period amounted to $25,744,168, after deducting loan commissions of $5,495,511 which were appropriated to the Special Reserve. The gross income for the same period in the preceding fiscal year, after deducting loan commissions, amounted to $20,576,359. As of March 31, 1952 the Special Reserve amounted to $25,621,260.

It is revealed that during the nine month period the Bank made 14 loans amounting to $212,658,000 in Belgium, the Belgian Congo, Chile, Colombia, Iceland, Italy, Mexico, Netherlands, Nicaragua, Pakistan, Paraguay, Peru, Southern Rhodesia and Yugoslavia. These loans brought total commitments as of March 31, 1952 to $1,326,183,000. Disbursements on loans during the period amounted to $131,575,137, bringing total disbursements to $823,302,266 on March 31.

During the quarter ended March 31, 1952, the Bank made its first public offering in Canada. In February, 1952 an issue of $15 million 4% Canadian dollar bonds was sold at par. This issue increased the funded debt of the Bank to the equivalent of US $449,858,586.

During the same quarter the Bank sold $1,386,000 of bonds from its loan portfolio without its guarantee; and $5,700,000 of bonds with its guarantee. Total sales by the Bank of obligations of its borrowers on March 31, 1952, aggregated $40,528,380.

Repayments of principal, both to the Bank and to other holders of bonds received under loans, amounted to $13,631,282 at March 31, 1952.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ralph A. Alexander and Richard F. Canton have become associated with Coburn & Middlebrook Incorporated, 75 State Street. Mr. Alexander was formerly an officer of Formula Plan Investment Management Corporation. Mr. Canton was formerly with J. Arthur Warner & Co.

An Objective Investment Formula Plan

By ZENON SZATROWSKI
Chairman, Dept. of Statistics, University of Buffalo

After describing characteristics of investment formula plans, Prof. Szatrowski finds their main defect lies in a lack of scientific statistical foundation for testing. Explains his own formula plan, and gives results of its testing by application to period of 1877 to 1951. Sees great possibilities in relating sound statistical analysis to investment problems.

Formula plans for investing in common stocks are based on the assumption that: (1) common stocks fluctuate around some normal level; (2) the normal level bears some relationship with the past so that it can be predicted; and, (3) the range of fluctuations bears some relationship with the past so that the range can be predicted. If the above assumptions hold true, then, from past data, one can estimate a normal level for the present time or near future, and also what deviation of price from the normal level is unusual. Having the above information, the investor can make a reasonable decision as to the proportion of assets that should be in common stocks at a given time. Formula plans do not preclude the use of additional information by the investor. However, unlike other plans, formula plans are objective so that their performance can be tested: (1) by determining their record in the past, and, (2) by determining their performance under various hypothetical conditions. Formula plans are particularly valuable for the investors who, on the one hand, cannot afford to ignore the tremendous fluctuations in common stock prices, and who, on the other hand, wish to stay in business over a long period of time (insurance companies, investment trusts, universities, etc.).

Zenon Szatrowski

The main criticism of existing formula plans is that their design and testing is not based on modern scientific statistical methods. Consequently the maximum opportunities inherent in formula planning are not exploited. Also, serious questions can be raised concerning results claimed for particular plans. For example, if data through 1950 were used to determine the normal level and variations around this level for common stock prices, then such information should not be used in making decisions before 1950, when such information was not available. An objective test of a formula plan requires that, at a given time, both the normal level and the range of fluctuations be derived solely from past data. In testing the formula plan, hindsight should be minimized and, if possible, completely eliminated. In addition to being objective, formula plans should be flexible enough so that their performance would not be seriously impaired if substantial changes in the normal level or the range of fluctuation materialized. To the extent that a formula plan is made flexible by introducing subjective methods, one of the main advantages of a formula plan, objectivity, is impaired.

The formula plan devised by the author is based on a few simple objective rules. It makes use of statistical techniques which are sound even though relatively elementary. It is sufficiently flexible so that, without sacrificing objectivity, major changes in level or range of fluctuations are taken into account. Finally, its performance in the past has been tested during the period 1877-1951. The testing was objective and, at a given time, decisions were based only on the information supplied by past data.

Description of Proposed Formula Plan

(1) The normal or expected level of common stock prices for the next year is calculated at the end of each year by using the "best" relationship between present price level and the average level of the past.

(2) The distribution of the deviations from the normal level is determined from the past data. This is used to determine the proportion of times that a given deviation occurred in the past and this, in turn, is used to determine whether a given price level is unusually high or low.

(3) Both the normal level and distribution of the deviations are recomputed each year in order to take into account different changes in level and range of fluctuations.

(4) The objective rules used in operating the plan are:

(a) Buy stock only if, but not necessarily if, prices are below the expected level.

(b) Sell stock only if, but not necesarily if, prices are 5% above the expected level.

(c) Do not sell or buy unless an unusual reaction to the trend in prices develops. Whether or not a reaction is unusual, is determined from a distribution of monthly changes in the past.

(d) When the market is in the selling or buying area and an unusual reaction to the trend has occurred, then adjust holdings so the proportion in cash is equal to the probability of getting higher prices. This probability is estimated from the distribution of past deviations of common stock prices from their normal level.

Results of the Formula Plan 1877—1951

Table I shows the results of operating the above plan, buying and selling the monthly average of "Standard & Poors Index of 365 Industrials," starting with $1,000 in 1877. The entries in this table are restricted to those where an actual transaction (change in proportion of cash) was indicated by the plan. Fees are assumed to be 1% of the value of the transaction and dividends are ignored. Also, it is assumed that the cash does not yield interest.

Table I shows that a $1,000 investment in 1877 according to the formula plan, would have a value of $71,179.40 in January, 1952. This is about four times the present value ($13,794.70) of a $1,000 investment if no buying and selling took place after the initial investment in 1877. In July, 1938, all but 2.3% of the assets were invested in common stocks and no transactions were indicated since that time. The current status of the formula plan can be described as follows:

The expected or normal level in 1952 is 184.9 in the Standard and Poors Index of 365 Industrials, as compared to the January, 1952, average of 204.3 for this index. Thus, common stocks are above the normal level and in a selling area.

If an unusual reaction to the upward trend occurs at this time, then assets should be converted to 73.9% cash. As of January, 1952, an unusual reaction would be a decline of 5.2% in the monthly average of Standard and Poors Index of 365 Industrials.

If the market continues to go up, then the formula plan will require a position with more than 73.9% cash after an unusual reaction.

Conclusions

The formula plan described above would have been very successful in the past and there is no reason to believe that it will not show equally good results in the future. However, this merely scratches the surface of opportunities in the application of sound statistical analysis to investment problems. The same techniques could be applied in determining what proportion of stocks in other industries, such as utilities and railroads, should be held. Also, formula plans could be devised to determine what proportion of individual stocks should be held, etc. The above formula plan would have particular value for the conservative investor who wished to trade infrequently (this plan traded about once every three years). However, similar techniques could be used as a basis for trading more frequently on shorter fluctuations.

Formula plans in particular, and investment analysis in general, deal with problems of making decisions and problems of evaluating rules which serve as a basis for action. But "decision making" and "the evaluation of rules of behavior" are precisely the areas in which theoretical statisticians have recently made significant contributions. In the author's opinion, the application of modern statistical methods to the problems of investment analysis shows unusual promise and would be of great value.

TABLE I
RESULTS OF THE FORMULA PLAN

Date—	Standard & Poor's Index of 365 Industrials Monthly Avg.	—Before Transaction— Value of Stock	Value of Cash & Stock	Indicated % Cash According to Plan	Cash After Transaction
July, 1877	14.81	.00	1,000.00	00.5	5.00
Nov., 1882	21.40	1,423.31	1,428.31	99.7	1,419.04
Feb., 1885	19.05	.00	1,414.17	25.0	353.54
July, 1887	23.39	1,289.26	1,642.80	95.8	1,573.80
Oct., 1889	29.16	70.86	1,644.66	99.5	1,636.44
Jan., 1891	25.83	6.72	1,643.16	49.5	813.36
Sept., 1893	21.58	686.46	1,499.81	00.8	12.00
May, 1899	33.41	2,290.92	2,312.92	97.2	2,248.16
July, 1900	38.29	48.63	2,296.79	99.6	2,287.60
Dec., 1903	24.29	5.59	2,293.19	03.0	68.80
Mar., 1907	39.46	3,577.44	3,646.24	98.1	3,576.96
Jan., 1908	28.26	24.59	3,610.55	01.8	64.83
Jan., 1911	41.63	21.23	5,160.31	37.8	1,950.62
Dec., 1912	47.23	3,604.12	5,554.74	84.6	4,699.31
Apr., 1915	44.50	780.08	5,479.40	43.1	1,868.48
Jan., 1918	48.22	3,882.19	5,750.67	15.6	897.10
Aug., 1919	67.45	6,635.06	5,732.16	93.6	7,050.10
Feb., 1920	62.12	387.00	7,437.10	95.8	7,124.74
Nov., 1921	48.04	241.16	7,365.90	00.4	29.46
Mar., 1926	87.00	13,157.34	13,187.88	94.6	12,447.35
June, 1928	133.90	948.01	13,395.36	99.9	13,381.96
Aug., 1932	46.50	1.40	13,383.36	06.0	00.00
Apr., 1937	128.80	37,098.26	37,098.26	70.2	26,042.97
July, 1938	95.90	8,037.38	34,080.35	02.3	783.85
Jan., 1952	204.30	70,395.65	71,179.40	73.9	----

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering $5,220,000 New York Central RR. 3⅛% equipment trust certificates, second equipment trust of 1952, to mature annually May 15, 1953 to 1967, inclusive, at prices to yield from 2.25% to 3.35%, according to maturity.

Issued under the Philadelphia Plan, the certificates are offered subject to the approval of the Interstate Commerce Commission and are secured by the following new standard-gauge railroad equipment estimated to cost $7,078,940: 18 Diesel switching locomotives; 16 "A" unit Diesel road freight locomotives; 8 "B" unit Diesel road freight locomotives; 6 RDC-1 self-propelled passenger coaches, and 1 RDC-3 self-propelled passenger-baggage-mail car.

Also associated in the offering are: R. W. Pressprich & Co.; Freeman & Co.; Ira Haupt & Co.; Wm. E. Pollock & Co., Inc.; Hayden, Miller & Co.; First of Michigan Corp.; Gregory & Son, Inc.; McCormick & Co., and McMaster Hutchinson & Co.

Phillips to Be Partner In Emanuel, Deetjen

Spencer Phillips, manager of the investment and underwriting department, will be admitted to partnership in Emanuel, Deetjen & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on May 8.

Arthur Goodwin V.-P. Of Rowles, Winston

HOUSTON, Texas. — Rowles, Winston & Co., City National Bank Building, announce that Arthur E. Goodwin, Jr., has been elected Vice-President of the firm. Mr. Goodwin will continue in charge of the municipal bond department.

Outlook for Insurance Stocks

By SHELBY CULLOM DAVIS*
Partner, Shelby Cullom Davis & Co.
Members, New York Stock Exchange

Specialist in insurance stocks expresses view stage will be set for an increase in insurance company earnings, provided there is no further inflation in commodity prices during 1952 and 1953. Says, if underwriting earnings of both fire and casualty companies return to average of past 13 years, a profit margin of 6% would be attained, which would represent an increase in aggregate underwriting profits of no less than 80%.

A new insurance underwriting cycle may be in the making. I do not believe it is generally realized that last year was the second poorest in overall fire and casualty underwriting results in the past 13 years of war and inflation since 1939. Interestingly enough the worst year in the past 13 occurred just five years ago, in 1946, and it is an historical fact that insurance underwriting cycles frequently run in five-year intervals.


Shelby Cullom Davis

For example, the underwriting profit margin of 228 stock fire and casualty insurance companies last year was only 3.3% of earned premiums. In 1946 the margin was only 1.2%, which represented the poorest showing not only in the past 13 years but in more than two decades.

Fire earnings are comparing favorably this year to a year ago, nationwide losses being up only 1% during the past two months whereas earned premiums have increased four or five percent, thus decreasing the loss ratio. In extended coverage the companies are having a substantially better experience due to the fact that in 1951 they had to contend with an unexpectedly large carryover of $75-80 million from the Thanksgiving hurricane of 1950. While ocean marine has not been good this year due to severe winter storms and several crackups on the seas, other fire and allied lines have been profitable so that the overall fire picture is good.

*Excerpts from an address by Mr. Davis before the Eastern Pennsylvania Group of Investment Bankers Association of America, Philadelphia, Pa., April 25, 1952.

In casualty there are signs that the pendulum may be turning. Last year was one of the most catastrophic the business has ever seen. The culprits, of course, were the automobile lines, both bodily injury and property damage, as well as workmen's compensation and general liability to a certain extent. There seems to be considerable pessimism at the moment about automobile lines. However, several companies have privately reported considerably better experience than a year ago during the first quarter and although this is not universal it would appear that a turn is near at hand. The National Bureau of Casualty Underwriters has publicly announced that it will seek further substantial automobile rate increases within the next 30 days—and these increases coupled with what appears to be a cessation of inflationary pressures should put the automobile lines in the black. Workmen's compensation rates are being increased in various states as are general liability rates.

In these days of pessimism about the automobile lines it seems to be forgotten that they produced an aggregate profit of 2.7% during the decade of the 1930's which was also inflationary. The loss in 1945-50 has been an average of no less than 11.5% but corrective measures are being taken along many lines and there is an old adage in insurance that there is "nothing that rates won't cure."

Admittedly whether we are entering a new upward cycle of insurance earnings depends primarily upon the course of the inflation during 1952 and 1953. If the crest has been reached for the time being so that commodity prices will remain within a narrow range during the next several years, then the stage would seem to be set for another dynamic increase in insurance companies' earnings, which have been in a downward phase since 1949.

What would be the potentialities of this insurance earnings cycle? If insurance underwriting earnings of both fire and casualty companies simply return to the average of the past 13 difficult years of war and inflation, a profit margin of 6.0% would be attained, which would represent an increase in underwriting profits of no less than 80%. This would mean that underwriting profits would increase from the $177 million of 1951 to $321 million.

However, it would be distinctly unusual if insurance underwriting profits stopped there, just as the trough of an underwriting cycle is well below the average. Should the peak in the coming insurance underwriting cycle only reach the average of the five best years in the past 13 years (which does not seem an unreasonable assumption), then the underwriting profit margin would reach 8.8% and underwriting profit would increase 167% from the 1951 level—and to a figure of $470 million from $177 million. That is surely an objective well worth striving for.

During the course of the next cycle should the underwriting profit margin reach the peak figure of the last cycle, or 12.4% attained in 1949, then the rise in insurance underwriting profits would be no less than 277% from 1951 and would reach $663 million. This would represent the maximum objective and would probably only be attained with the help of extreme good fortune, such as dearth of catastrophies.

Whether the minimum objective is gained of an 80% increase in underwriting profits or the reasonable "citadel" topples of a rise of 167% in underwriting profits, the outlook would appear to be highly favorable at a time when most industrial earnings seem to be trending downward. The change from an inflationary psychology to one of "wait and see" is also bound to be favorable to the insurance group. Since the outbreak of hostilities in Korea investors have turned their attention to inflation-hedge shares and insurance stocks have been neglected. In a strong technical market position, they should have considerable appeal at this juncture to investors who are looking for companies which would benefit from a deflationary trend.

As I appraise the outlook for the American economy for the next few years I am conscious of three enormous problems: labor, inventories, and overcapacity. Already many businesses are burdened with either one or a combination of these factors and after the great capital goods boom of the past nearly seven years it would be surprising if industrial plant capacity had not in many cases overtaken demand. The insurance business, however, is faced with none of these problems. There is certainly no labor problem as the mass production industries know it although there is of course the same white collar problem which banks and other financial institutions have. There is no spectre of the falling market and what it could do to inventory—because there is no inventory. Actually a decline in commodity prices would enable insurance companies to settle their outstanding claims at reduced costs—and this would be favorable. And as for overcapacity, it can categorically be stated that none exists in the insurance business; in fact there is an undercapacity if anything. Insurance seems well insulated against the major problems which business faces during the years immediately ahead.

There is furthermore the great tax advantage which insurance shares enjoy and which seems so seldom to be mentioned. The other day I received an advertisement about a book by a well-known tax specialist which indicated the tax savings which might accrue from ownership of a citrus fruit grove and watching your fruit gradually ripen on the bough (so to speak) and eventually selling the grove for a capital gain. Similarly with a herd of cattle. But why Eastern investors, far removed from such esoteric fields, should go in either the fruit or cattle business when there are insurance stocks is difficult to see. Certainly a "blue chip" such as Hartford Fire yields only 2¼% at current market but the capital growth based upon last year's subaverage earnings was 7%. The yield on Springfield Fire & Marine of 4.35% is less than a high grade public utility but then the capital growth, again based upon last year's subnormal earnings, was nearly 9% based upon current market. With high income taxes prevailing it seems far sounder for an investor to take a smaller yield and have his capital grow than to receive a larger return such as from public utilities or bank stock investments, and have much less growth. Freedom of insurance companies from section 102 of the Treasury is also helpful. The State Insurance Commisioners have taken a strong position that insurance company surpluses should be allowed to grow as further protection to the policyholders.

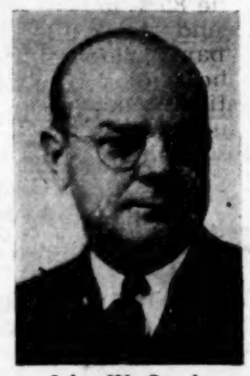
Which insurance groups will perform the best during the balance of the year? The "blue chips" have been bought continually by the pension funds and other professional buyers during the past two years, so that while attractive on a longer term basis, their market prices are not particularly out of line with their underlying values. However, the good grade companies have been neglected marketwise and have been virtually friendless since the spring of 1950. Some of these stocks, such as Fire Association or Aetna, are selling nearly 10 points below prices achieved two years ago. Meanwhile their investment incomes have increased 25-30% as have their liquidating values. Yields of 4-4½% can be obtained in the "good grade" group—and I think that this yield will be sufficiently attractive to entice investors who have substantial profits in other groups whose outlook is less attractive.

In the past when insurance stocks of sound companies could be purchased at 10-13 times investment income alone and at discounts of 30-40% from liquidating value, a long-term buying point had been reached. This is true in many good grade insurance stocks at the present time. The general national economic situation would seem to be favorable for an expansion of insurance company earnings—so that the group gives promise of moving out of its restricted market range during the months ahead.

Treasury Raises Rates on Savings Bonds

Secretary Snyder announces changes in E bonds giving a higher return in earlier years and shortening maturity from 10 years to 9 years, 8 months, with compound interest rate of 3%, if held to maturity, and a new series H bonds. Series F and G bonds are discontinued, and a new series J and K bonds, bearing higher interest rate will be offered as substitute.

Secretary of the Treasury Snyder has announced that, effective May 1, a number of changes will be made in United States savings bonds, the purpose of which is to offer slightly higher interest returns to purchasers.


John W. Snyder

Briefly, the changes as announced by Secretary Snyder, are as follows:

(1) Series E Bonds: The first thing that has been done with respect to E bonds issued on and after May 1, 1952 has been to improve the intermediate redemption schedule to give a higher return in the earlier years. Interest will start at the end of six months instead of at the end of one year as formerly. The rate accrued at the end of six months will be 1.07%; at the end of one year, 1.59%; at he end of two years, 2.10%; at the end of three years, 2.25%; at the end of five years, 2.52%, and so on. The over-all interest rate on E bonds has also been raised—from 2.9% to 3% compounded semi-annually, the maximum permitted by the law. The $18.75 issue price on a $25 bond has been retained—as has the $4 return for a $3 investment. The change in the over-all return has been effected by shortening the length of the Series E bond from ten years to nine years, eight months. The new interest rate schedule does not apply to bonds outstanding for the period up to their original maturity.

The interest rate on the E bond during the extension period after maturity has also been raised for all bonds which have not yet matured, so that the return will be 3%, compounded semi-annually, during the additional ten years of an E bond's life under the extension privilege. The new rates on the extension will not apply to bonds which have matured prior to May 1, 1952.

In addition to these changes in the terms of E bonds, the Treasury has doubled the annual limit on E bond purchases from the $10,000 maturity value now in effect to $20,000 maturity value.

New stocks of bonds with the new intermediate redemption values and the new maturity will not physically be available on May 1. The existing stock of E bonds will be sold throughout the period prior to the availability of new bond stock. Every E bond sold after May 1 will by regulation, however, obtain the revised terms and conditions. As soon as new stock is available, any purchaser

Continued on page 37

A Plea for Increasing Bank Capital By Issue of Preferred Shares

By MORRIS A. SCHAPIRO*
President, M. A. Schapiro & Co., Inc.

Bank stock specialist, in condemning reluctance of banking authorities to permit banks to increase their capital through sale of preferred stock as an injury to bank shareholders, presents arguments supporting bank financing through issue of senior shares. Points out current difficulties in increasing bank capital by offering additional common shares, when shares sell at discount below liquidating values, and lists various advantages of preferred stock both to banks and to their shareholders.

The reluctance of banking authorities to permit banks to increase their capital through sale of preferred stock is a denial of the property rights of bank shareholders. This denial bears heavily on bank stockholders especially today when their shares are quoted at a discount from book values. Low earnings due to high operating costs, controlled interest rates, and penalizing taxation are the reasons for banks at a discount even in these good times. Yet banks need more capital because the volume of their business is constantly growing. How to obtain this capital is the problem.

Morris A. Schapiro

The unwillingness of the authorities to approve senior capital for banks places shareholders in an untenable position and presents a threat to private banks if they are to continue to function independently. Stockholders are naturally attracted to the immediate benefits of escape through sale, merger, or even outright liquidation. The position of the authorities will not halt the current merger trend; on the contrary, it serves to intensify the reasons for mergers, and the resultant pressures can only lead to outright liquidations.

Obviously, if banks are to continue as independent businesses, they must be profitable for their stockholders. But, for these stockholders, common stock offerings in the current discount market are certainly not profitable. They must suffer the penalties and costly dilution of their investment whenever additional shares are sold.

Pressed by demands for additional capital from the very banking authorities who frown upon senior capital, bank stockholders, unwilling to suffer dilution of their equity, face a dilemma. One solution which should be available is the issuance of preferred stock providing a means to increase capital without penalizing present stockholders. Preferred stock will not remedy the basic earning ills of banks. But, because of current conditions, banks should consider the advantages of issuing preferred stock.

Difficulties of Financing by Common Stock

New financing by the common stock method can only be effected at or below the current quotations which are already at a discount from book value. Thus, to obtain the needed capital, banks are compelled to accept less than fair value for their shares. As we all well know, rights to subscribe are traded in pennies and are sometimes quoted as worthless. Current and prospective earnings, not asset values, create this difficulty. Existing stockholders are forced to admit "new partners" on penalty terms, set by low earnings, and not by liquidating values. Under common stock financing in this discount market, property of stockholders, unwilling or unable to take up their pro-rata subscriptions, is, in effect, given away to these "new partners."

Preferred stock financing, however, provides a safe and practical method for banks to obtain additional capital. It avoids the disadvantages of common stock financing. The shareholder's investment is protected; his earnings and dividends conserved.

"Bank preferred" does not impair the equity of "bank common." Stockholders are not forced to take in partners and subsidize them. Preemptive rights to subscribe to "bank preferred" are retained by the shareholder who may elect to exercise them or not. If not, others readily will. But no "gift" of the business is involved.

"Bank preferred" is a stable and high-grade security. Preemptive rights to subscribe provide an investment opportunity for shareholders who have already demonstrated faith and interest in their institution by their holding of its common shares. Those rights to subscribe for preferred which are not taken up by their owners will find ready takers in the investment markets.

How will offerings of preferred capital be received by outside private and institutional investors? They are aware that the discount on bank shares reflects the low rate of earnings on stockholders' money and is no indication of any internal weakness in banks. They realize that bank managements will undoubtedly avail themselves of every opportunity to retire preferred stock out of retained earnings. Further, because of its intrinsic merit and the 85% tax exemption of its dividend to corporate taxpayers, "bank preferred" would command the widest acceptance among institutional investors, such as insurance companies, savings banks, and others.

Even with improved earnings resulting from possible correction of existing tax inequities, senior capital has continuing advantages. The benefits for common stockholders are so great that many banks will adopt preferred stock as a permanent part of their capital structure.

Further Advantages of Preferred Stock Financing

Let us consider further the advantages of preferred stock financing. After common stock financing, stockholders find their book value lower because the additional shares were necessarily sold at a discount In the case of preferred stock financing, however, the book value of the common stock is unaffected. This is so because preferred can be sold at par and full value realized. With the sale of common, only partial value is available.

In common stock financing, the earning power of the shares is diluted since the rate of earnings on the additional capital cannot possibly match the earnings on the earlier capitalization. The difficulty increases with the discount at which the shares must be priced to sell. In recent common stock offerings, in order to attract new stockholders, the price was set to produce a yield for these new investors of nearly 5%, whereas the rate received by old stockholders on their book value had been less than 4%. This penalty is indicative of the general acknowledgement that bank earnings are too small.

In other bank financings, old stockholders were penalized even further. Moreover, in many banks, it is only now being realized that Federal tax laws prevent this new capital from earning its dividend requirement and that the old stockholders are, in effect, making good the dividend on the newly issued shares.

In preferred stock financing, however, earning power for existing stockholders is readily conserved and likely to increase.

Should common share earnings improve, the discount from book value will, of course, narrow and finally disappear. Senior capital may then be retired through offerings of common stock without costly dilution.

On the other hand, should business fall off, banks could find themselves with excess capital. The bank which sold additional common stock has committed itself to the new partners to whom dividends must be paid. Where preferred stock has been sold, however, the original amount may have already been reduced through retirement. Moreover, the management would have freedom of action and the means to retire the balance.

In the event of a sale or merger, where preferred stock financing has been undertaken, shareholders will realize the full value of their shares; not so in the case of common stock. The merger benefits must be divided with the owners of the new shares.

In addition to protecting the property interest of shareholders —assets, earnings, and dividends —preferred stock financing gives management a flexibility not possible under common stock financing. Under preferred stock financing, there is the prospect that quotations for bank shares can advance to book values; this is not so under common stock financing.

Bank stockholders are today increasingly aware of additional capital needs and they anticipate that they may be asked to approve a common stock offering at any time. New investors, however, are disposed to await common stock offerings in order to obtain their "free gift." Thus, common stock financing at this time insures the prolongation of the discount market.

The expansion of capital through common stock financing negates the improvement in per share earnings achieved through the increased volume of business which now calls for this additional capital. Clearly, just when per share earnings reach a point where the discount begins to narrow, common stock financing increases the number of partners whose dividend requirement represents a new commitment. The issuance of preferred stock precludes this condition.

We have seen how the threat of common stock financing keeps bank shares at a discount. And, while the discount market continues, the desire of stockholders to sell or merge their banks is readily understandable. Stockholders are fully aware of how profitable merger transactions can be. They find merger proposals irresistible.

On Dec. 31, 1945, there were 70 banks operating in New York City, including national banks, State banks and trust companies. Today their number is 55. The most profitable bank shares to have held in this period were the shares of this group of 15 banks which gave up.

Not All Banking Authorities Opposed to Preferred Stock

It should be noted that not all banking authorities are reluctant to approve preferred stock financing. Some banking authorities have already recognized the existing realities and even the "emergency" nature of the present capital requirement situation. Thus, in New Jersey, in February of this year, a State bank obtained the approval of the State Superintendent and the warm endorsement of the FDIC before marketing successfully its senior issue of convertible preferred stock.

Maple T. Harl, Chairman of the FDIC, noting that the directors of this New Jersey bank had recommended the sale of new preferred stock, wrote to its President: "The members of your Board are to be commended for this progressive step in encouraging additional capital for the bank which will further strengthen its position and enable it to better serve its customers."

In view of the desirability of senior capital at this time, it is perhaps noteworthy that no national bank thus far has actually offered a preferred issue. It is known, however, that a number of large member banks, State and national, have been actively considering this means as a solution to their capital problems. However, as yet, it appears that they have been unable to move the authorities.

Meanwhile, only last week, announcement was made by a prominent Midwest bank holding company of plans to market $5 million of convertible preferred stock. This follows similar action late last year by the largest bank holding company in the East which successfully offered $11 million of preferred. Its convertible shares, now listed on the New York Stock Exchange, command a premium of approximately 10% over the issue price.

Shareholders of individual banks are at a great disadvantage with respect to the shareholders of bank holding companies which enjoy the freedom to issue senior securities. The question may properly be asked: Why should stockholders of unit banks be denied the opportunity to finance expansion through methods available to bank holding companies and other corporate business enterprises?

Unless banking authorities generally recognize the "prosperity emergency" now confronting banks, shareholders of many institutions will ignore demands for capital increases. In a free enterprise economy, the bank stockholder, as in other businesses, is concerned with protecting his investment. The more profitable the investment, the more likely he is to increase it.

Bank shares are at a discount, even in these good times, however, and the stockholder's reservations about the future of his investment are understandable. Asked to increase his investment or take in partners at a discount, he is likely to seek another alternative. He can vote "no" on a proposal to increase capital and

Continued on page 28

*An address by Mr. Schapiro at the Third Annual Conference of the Eastern Pennsylvania Group of the Investment Bankers Association, Philadelphia, Pa., April 25, 1952.

The Economics of the Guaranteed Wage

By EMERSON P. SCHMIDT*
Director, Economic Research Department
Chamber of Commerce of the United States

Dr. Schmidt discusses economic implications of the Guaranteed Wage, and indicates limited experience with this form of wage contract has led to inconclusive results. Holds production and sales of individual firms should be stabilized before there should be commitment to a minimum wage. Concludes if reasonable prosperity can be maintained in years ahead, and employers take steps to eliminate instability in their operations, with the aid of closer cooperation of labor, management and government in the economy, more steady jobs for workers can be achieved.

Adequate job opportunities, continuity of employment and income are in the national interest. The worker and his family, the employer and the community, all benefit.

Dr. E. P. Schmidt

Efforts to improve job security merit a maximum of support. No one gains from insecurity. The typical worker has no source of income other than his pay envelope. His well being and that of his family are dependent upon a steady flow of pay checks.

A dynamic free economy ultimately governed by free consumer choices is subject to constant change. Wars and shifting international conditions subject our economy to still further changes, including unemployment, often under government directives.

Employers, like employees, are to some extent the victims of this constant, ceaseless change.

To the degree to which unemployment cannot be prevented, hardships may be mitigated through personal savings, through unemployment compensation and by other means. But these are not adequate substitutes for productive employment at satisfactory wages.

Slow Progress of Guaranteed Wage

Does the guaranteed wage merit consideration as a further step in our arsenal for overcoming insecurity? In spite of an enormous literature on the guaranteed wage and a great deal of experimentation with it, not much real progress has been made either here or abroad.

In 1947 "*Guaranteed Wages*," a report to the President by the Advisory Board of the Office of War Mobilization and Reconversion, identified only a few plans with some 61,000 workers covered under a highly *restrictive* definition which included all plans with a guarantee of over three months.

A subsequent spot check by the Bureau of Labor Statistics revealed that the number of plans in effect in 1951 was essentially the same as reported four years earlier in 1947. This does not indicate any progress.

Stabilization Must Precede Guarantee

The business executives who have adopted the guaranteed wage stress, without exception, that their guaranteed wage program is a result of *prior* regularization policies and programs. For this reason, Jay C. Hormel, Chairman of the Board of Geo. A. Hormel Co., Austin, Minn., states that he now regrets that his stabilization program has become indentified with the phrases "annual wages," "guaranteed wages," and the like. He feels the cart has been put before the horse. Richard R. Deupree, President of the Procter & Gamble Company, another leader in the field, has viewed the guarantee as a result of prior long-range management policies to regularize production or sales or both. *The guarantee is incidental, especially since most companies reserve the right to terminate it.*

In a recent pronouncement the Geo. A. Hormel Company made this significant statement:

"This guarantee of ours is designed not as a protection to the employees through the medium of the guarantee, but rather as a compulsion of management to so conduct itself *that the guarantee need never be invoked*. . . . Certainly our Company is wholly unable to redeem the money consideration in such a guarantee unless we can keep our people actually and profitably employed. The entire asset value of our Company, cashing everything we own, would only be sufficient to redeem a 10-months' guarantee. If we as a Company cannot make such a guarantee, neither can our community, for we know that in our town all of the bank assets including county deposits, city deposits, all the money owned by all of us would only cover the payroll for nine months. So, when using the phrase 'guaranteed annual wage,' we must ask the question — guaranteed by what? *The only guarantee we know of is the ability of management to manage, coupled with willingness of workers to work. If either fails, then the guarantee fails.*" ("*Annual Wage*," Geo. A. Hormel Company, March 29, 1950.)

Geo. A. Hormel Company although having engaged in collective bargaining for a great many years, has scrupulously avoided making the guaranteed wage a part of the collective bargaining contract. The same statement quoted above states,

"Our people have as much security as we can possibly give them, *but none of the security is contractual security. All of the security depends on earnings*."

Legislative Action Opposed

The Report of the President's Advisory Board in 1947 stated that

"*The adoption of a guaranteed wage plan should not be the subject of legislative action*, but should be referred to free collective bargaining."

It is of some importance to note that adoption of all the most publicized and best known guaranteed wage plans has taken place outside of collective bargaining. A guaranteed wage plan raises many serious difficulties and almost unbelievable complications which require continuous changes and adaptations. Once the matter is reduced to collective bargaining, vested interests in words and phrases, to say nothing of practices, may prevent essential alterations and adaptions.

If the Advisory Board was right in 1947 in warning *against legislation*, the question should also be raised whether this warning should not apply with equal or even greater force to a wage panel or board especially set up to handle a particular wage demand.

If this is a matter on which the popularly *elected representatives* of the people should not pass judgment, it would seem to be even more questionable to have *appointed* officials passing judgment on this matter. In other words, a wage board picked and appointed to handle specific wage demands would seem to be exercising becoming modesty, appropriate self-restraint, if it hesitated to step into an area that by common consent is not ripe for legislation.

This is especially important when one considers the significance of the steel industry. This industry has on frequent occasions set the pattern for most other metal working and machine shops in the land. But it goes even farther. Wage-making and wage-policy have run by nationwide pattern. However much the members of the Board wish to restrict their findings to the case before them, it is unrealistic to assume that any decision will not ramify into every other industry with promptness and dispatch. The decision here will set a precedent and the following comment includes this assumption.

With this background, let us now turn to a study of the nature of our economy and the economic environment in which a guaranteed wage would have to operate.

Constant Change in Our Economy

Enormous geographical shifts are constantly taking place which may have an important bearing on the guaranteed wage. For example, in the brief period from 1940 to 1950 four states lost population while the remainder made gains ranging from less than 1% to over 53%, as against a national average gain of 14.5%. Similar and even greater shifts took place within the several states. Would the guaranteed wage, by tending to reduce population and labor mobility, add an additional factor making for greater inflexibility and lower productivity?

New products, new machines and new materials necessitate change in employment. The automobile, airplane, radio, atomic energy, plastics, synthetic rubber and a host of other new products have given rise to new industries, frequently in new locations, and in some cases, have meant the shrinkage, or virtual disappearance of other industries.

Between 1939 and 1948 the number of production workers employed in manufacturing industries increased 60%. But this increase was not uniform. For example, employment in the manufacture of locomotives in 1948 was 397% of the 1939 level, while employment in the manufacture of tobacco and snuff was only 77% of the 1939 level.

Employment in 1948 for the following industries was more than 250% of 1939 employment.

	1948 employment as percent of 1939 employment
Locomotives	397%
Explosives and safety fuses	365
Aircraft and parts, excluding aircraft engines	345
Chemicals, not elsewhere classified	297
Aircraft engines	289
Pumps and pumping equipment	285
Engines and turbines	284
Communication equipment	284
Housefurnishings, other than curtains, etc.	270
Fire extinguishers	267
Agricultural machinery, excluding tractors	263
Abrasives	259

Despite the *60% increase* in manufacturing employment dur-

Continued on page 30

*A statement by Dr. Schmidt to the Wage Stabilization Board in the matter of United Steelworkers of America, CIO and various steel and oil companies, Feb. 12, 1952.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Kidder, Peabody & Co., 17 Wall Street, New York, New York, recently issued a study entitled "The Case for Bank Stocks." This is the 1952 edition of a similar report published in each of the past two years.

The investment firm in the current analysis covers the operations of 14 New York City banks and 10 institutions in a number of other cities, including Boston, Chicago, Philadelphia, Pittsburgh, San Francisco, Los Angeles and Dallas. The report for 1952 is somewhat more comprehensive than earlier editions and has been expanded to include a number of institutions not covered in previous reports.

The study presents the salient statistics on the operations of the different banks and shows the comparative performance of the various institutions relative to deposits, earnings, dividends and book values.

Some of the significant highlights summarized in the report include the following:

(1) Although New York City bank stocks have advanced moderately since the start of the Korean war, the gain made by the general stock market during the same period has been substantially greater. Relative to the Dow-Jones Industrial average, bank stocks at the current market levels are at the lowest ratio in thirty years.

(2) The current outlook for bank earnings is considered favorable.

Operating results for 1951 showed a moderate gain over those of the previous year despite a sharp increase in taxes. Present indications point to a rising trend of earnings in 1952.

(3) The factors primarily responsible for this improvement in the operating outlook are: (a) high level of deposits, (b) the demand for loans is expected to be maintained close to the record level established in the first quarter, and (c) the increase in interest rates over the past year has enabled banks to improve the return on both loans and investments.

In connection with the discussion on deposits the study points out that the banks in the report showed a deposit gain of 6% in 1951. Because the estimated Federal expenditures for the current year are likely to exceed revenues, the government may find it necessary to borrow new funds later in the year. Should this occur, banks would be the logical purchasers, and this would have the effect of increasing deposits at the banks.

(4) The commercial banks of the country are carrying an unfair share of the tax burden. Because of the conditions existing at the time of the imposition of the excess profits tax and the limitation on earnings imposed by that law, earnings over 3.84% on invested capital became subject to the excess profits levy.

Because of this fact and the apparent inequity of bank taxes as compared with a number of other industries, the Federal Reserve authorities have undertaken a study of bank taxes. The inference is that some relief will be sought for the present inequities.

(5) The yield obtainable on bank stocks at present prices is fair. Another important consideration with respect to dividends on bank stocks is their regularity. Of the banks covered in the Kidder, Peabody & Co. report consecutive dividend payments have been maintained for 72 years on the average. This regularity of income compares favorably with that of good grade bonds and preferred stocks and the yield is somewhat higher.

(6) Current dividend payments represent only 62% of earnings and are considered reasonably secure. Modest increases in current disbursements are possible in certain instances.

(7) Because of recent changes in laws governing fiduciaries and the increase of pension funds, there is a growing demand for equities which qualify as "Prudent Man" investments. Bank stocks with their long records of earnings and dividends, seem especially qualified to meet the needs of the various investors.

An additional factor favorable to institutions is the tax consideration. In other words, institutions holding common stocks enjoy an 85% tax credit on dividends received. This means that only 15% of dividends become subject to normal and surtaxes. Obviously, this gives common stocks, including bank shares, a considerable advantage to institutions in the production of income.

(8) Book values for most banks are considerably above current market prices and are stated on a conservative basis.

(9) In conclusion, the report concludes that "bank stocks appear attractive for their fair yield and possibilities of price appreciation."

These highlights of the Kidder, Peabody & Co. report are supported by statistics for the 24 banks. It is an excellent report and should call attention of a number of investors to the advantage of utilizing bank stocks in their investment programs.

Investors Research

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif. — Robert W. Bridwell and Rodger W. Bridwell are engaging in a securities business under the name of Investors Research Co., with offices at 17 East Carrillo Street.

With Florida Securities

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Florida — Emanuel M. Davis has become associated with Florida Securities Company, Florida National Bank Building.

Report Drop in Business Activity

Business Survey Committee of the National Association of Purchasing Agents reveals production declines more than counterbalance increases, and back orders have taken a sharp drop.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Co., Division of Olin Industries, Inc.; New Haven, Conn., indicates the anticipated Spring upswing in industrial activity has not appeared. The trend to level off, that was reported in the March survey, is cancelled by the April reports. Back orders have taken a sharp drop, 36% reporting this condition. Production declines are double the increases. Seasonal gains in some lines are more than balanced out by further deterioration of the general industrial situation.

Robert C. Swanton

The March survey showed a correctional tendency to close the gap that had developed between the reduction of back orders and the high rates of production, by curtailing output. This is reversed in April, and the spread is about as great as it was in January. Contributing to the unfavorable reports are the increasing weakness of the price structure, some inventory liquidation, lower employment, and an extremely cautious and somewhat pessimistic policy on future purchasing commitments. The present steel labor controversy is creating an uneasy attitude toward future developments.

The report states that though defense business has picked up here and there, it is not sufficient to reverse the business decline recorded since December.

The Survey Committee was asked this month for an opinion on the need for controls, both price and materials. 87% favor either their complete elimination or some modification — 67% for elimination; 20% for modification. Of the latter, the principal recommendation for modification is the use of a simple system of priorities for direct defense needs. The 13% voting for retention of controls are, in the main, of the opinion that controls will be necessary until the outcome of the steel controversy is known.

Commodity Prices

Continued softening of industrial material markets is reported in April, and at an accelerated pace. 25%, the highest number this year, report offerings at reduced prices. Much of this is in fabricated items and overstocked warehouse supplies. There is comment that many more quotations below ceiling prices would be made if suppliers were assured the reduced price would not be interpreted as a new ceiling price by OPS. Counter to the trend of prices are the boost in freight rates and the steel wage and price adjustments.

Inventories

For the fifth consecutive month, reports show substantial purchased material inventory reductions. Adjusting to balance the lower order bookings and reduced production schedules, coupled with price weakness, has made industry extremely inventory conscious. The usual Spring industrial pick-up has not developed. Opinion is expressed that an early Summer business rise, preparing for vacation schedules, may not broaden the current inventory policy.

Employment

65% report holding the same as last month. 12% show increased employment and 23% report decreased or shorter working time. Lack of orders and production cutbacks are more the cause than lack of materials. Agricultural employment is taking up some of the slack in a few areas. Common labor is generally available. Skilled engineers, mechanics and office people are hard to get.

Buying Policy

An even tighter commitment policy is reported this month. 96% report holding within a hand-to-mouth to 90-day range, which has been the predominant course for the past several months. In April, there has been a more pronounced movement into the 30- to 60-day bracket. Soft prices, easing availability, declining order books, and lack of confidence in current business conditions all combine to create this very cautious view of the markets.

Our Reporter's Report

After observing the behavior of the market for the last week, bond men are not altogether convinced that such insurance company buying as developed recently is indicative of any basic change in the views of such institutional buyers.

True, it was buying from such sources among others, which cleared away a number of recent new issues which had tended to back up in the initial offering stages. But their buying now appears to have been rather for their own convenience than because of any revision of their ideas.

They had been building up cash over a period of months in spite of substantial purchases of new mortgages and a rather formidable flow of privately negotiated corporate bond deals. And for the moment a bit of diversification apparently was desirable.

The fact is that the big insurance companies right now show little disposition to rush into things. Quite to the contrary these buyers are just as deliberate in their operations as they were prior to last week's sudden foray into the new issue market.

And presumably the Treasury's decision to sweeten the rate on its savings bonds, through the issuance of a new 3% series, won't tend to change their ideas. This action, of course, is broadly interpreted in market circles as indicative of a more liberal bid by the government to institutions in the months ahead.

Union Electric's Issue

Four groups entered bids for the $30,000,000 of new 30-year first mortgage and collateral bonds put up for sale by the Union Electric Co. of Missouri.

And a difference of only about 99 cents per $1,000 bond separated the winning bid from the lowest

Continued on page 47

The Outlook for Business

By MARCUS NADLER*
Professor of Finance, New York University

Predicting within next 12 months all industries will undergo transition from a sellers' to a buyers' market, Dr. Nadler points out as two opposing economic forces: (1) filling void of goods created by war; and (2) using productive capacity, with pressures toward lower prices.

The economy of the country is undergoing a rolling readjustment from a sellers' to a buyers' market. The soft good industries, which have not been vitally affected by the defense effort and are more competitive in character, have felt the impact first. Unless some unforeseen event should occur which would change the buying habits of the public, all industries will undergo this transition during the next 12 months.

Marcus Nadler

Business activity in general will be under the influence of two opposing forces. On the one hand, the gradual filling of the economic void created by the war, speeded up by the sharp increase in the productive capacity of the country, will lead to keener competition and somewhat lower prices. On the other hand, the defense program and the defense-supporting capital expenditures by corporations are generating strong purchasing power and keeping the economy at a high level. So long as defense expenditures and capital outlays of the present magnitude continue, business activity is bound to remain at a high level. The constant rise in wages will increase costs of production and keep prices high. Only when these expenditures begin to taper off can one envisage a material decline in business activity and in sales.

Nevertheless, the transition from a sellers' to a buyers' market may have important economic and psychological consequences. The economic consequences, briefly summarized, are: (1) Competition will be keener and the margin of profits will tend to decline. (2) The liquidity of inventories and of accounts receivable will decrease, and business in general will endeavor to operate on a hand-to-mouth basis. The psychological impact will result from the necessity for changing the attitude of the sales force to meet the change from the sellers' to the buyers' market. This will involve not only greater ingenuity and initiative than has hitherto been required, but also more aggressive selling.

A buyers' market does not mean a depression. The disposable income in the hands of the people is large, and experience of the past has shown that where merchandise is properly priced and well styled it finds a ready market. Business as a whole is heading for the pattern which existed prior to World War II, when the sellers' market predominated. The low-cost producer and distributor and the businessman who display in genuity and initiative will do well. The high-cost producer and the business concern that depend on the hope that another wave of inflationary fears will solve their problems, are bound to come to grief.

The international political situation, as well as political developments at home will strongly influence business sentiment. For the next twelve months, however, the general pattern of business seems to be set. While competition is bound to become keener, business activity should remain at a high level and in the immediate future should witness an increase. The downward readjustment in the soft goods industries has in the main been completed. Inventories in the hands of distributors have largely been disposed of and a material improvement in these industries may be expected in the not-distant future. Construction in all likelihood will be at a higher level than was envisaged a few months ago and as the supply of metals increases the output of durable consumer goods will rise.

*Summary of an address by Dr. Nadler before the National Notion Association, New York City, April 22, 1952.

T. L. Watson Admits Bruns as Partner

Coe, Gazan With Firm

Henry G. Bruns has been admitted to general partnership in T. L. Watson & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, and Lester Coe and Leonard E. Gazan have become associated with the firm in the Trading Department.

Mr. Bruns has been in the unlisted securities business for over 25 years, and for the past 13 years has had his own firm, H. G. Bruns & Co., which was dissolved on April 30. Mr. Gazan, who formerly headed his own firm, and Mr. Coe have both been associated with Mr. Bruns for several years.

Change Time for Investment Course

TORONTO, Ont., Canada.—The Investment Dealers Association of Canada has announced that the new offering of Course II in "Principles and Practices of Investment Finance in Canada," originally scheduled for May, will be offered in September instead. Both Course I and Course II will be offered simultaneously.

Monetary Policy and Debt Mgt. In Economic Stablization

By ROY BLOUGH*

Member, Council of Economic Advisers

Youngest member of President's Council of Economic Advisers, in discussing economic problem of how public debt can be handled with least harmful economic results, says special situation now calls for special measures. Objects to government competitive bidding in money market as cutting off civilian demand, and concludes inflationary problem should be attacked by holding down total spending, restricting private credit and using other measures at disposal of government, along with monetary and debt management.

There would seem to be three general kinds of problems involved in this subject of the relationship between monetary policy and the management of the Federal debt. At the bottom is the economic problem of how to manage the very large Federal debt with the least harmful influence on the economy. This economic problem comprises several problems that are more specific, among them how to manage the Federal debt without contributing to inflation, how to manage the Federal debt without contributing to deflation and depression, and how to manage the Federal debt without causing a monetary crisis.

Roy Blough

A second kind of problem might be designated the problem of policy, or more specifically, the problem of choosing among desirable objectives. There are many desirable objectives for the nation, among them being the promotion of the defense program, the expansion of production and productive capacity, the maintenance of a relatively stable price level, the achievement of a fair distribution of income and wealth, the promotion of individual freedom, and the advancement of the economic security of our citizens. To some extent, these objectives can be advanced simultaneously. Often, however, it is necessary to choose among them, to weigh the advantage of a little more of one against the disadvantage of a little less of another. The rapid shift from a civilian economy to a mobilization economy, for example, might have been very difficult to achieve without some increase in prices.

The third kind of problem may be designated the organizational problem. This is the problem of how to allocate the powers of government in such a manner that the economic methods used and the policy decisions made will to the greatest extent possible promote the national interest.

Public Debt Management

The problem to which I wish to direct my remarks is the first of these three, namely, the economic problem of how the public debt can be managed with the least harmful and most beneficial results for the economy.

The Federal debt, which on Dec. 31, 1951, totaled $259.5 billion, is one of the most important economic facts of our time. This Federal debt is 45% of the total net debt, public and private, outstanding in the United States today. The largest debt owed by any other governmental agency is $3.2 billion of gross debt owed by the City of New York. The largest debt of any business organization to come to my attention is $3.6 billion. During the year 1952, it will probably be necessary for the Federal Government to refinance over $35 billion of the Federal debt in addition to the $15.6 billion of Treasury bills which are turned over four times a year. The Secretary of the Treasury has indicated that because of the Federal deficit, it may be necessary in addition to borrow from the public as much as $10 billion in new funds during the calendar year 1952. The magnitudes of these operations are so much vaster than those involved in private financing and the Federal Government is so different from a private business that there is no reason to believe that all the rules applicable to private financing can or should be applied.

The Federal debt is a stubborn fact that has a bearing on all economic policies. We cannot get rid of the debt, at least not in our lifetimes, so we must learn to live with it. A basic fact in considering problems of monetary policy and debt management is that *every dollar of the Federal debt at all times must be held by someone*. The amount of the debt may be reduced by increasing revenues or reducing expenditures, but the remaining debt is going to be held in some fashion whether by individual investors, corporate investors, commercial banks, or Federal Reserve banks.

Monetary Policy vs. Debt Management

Under most economic conditions, a large public debt presents no problem for monetary policy; indeed, under some conditions, the debt can serve as a useful tool. Under the following circumstances, however, a difficult problem arises in using monetary policy to stabilize the economy while managing the public debt: (1) when there are substantial issues maturing currently that require refunding, or when additional borrowing is necessary because revenues are insufficient to cover expenditures; and (2) when demand for goods and services has pushed employment and production to so high a level that any additions to demand will not result in greater production but will give rise to inflationary pressure; and (3) when the combined total of demands for loanable funds by government and private borrowers is in excess of the supply of loanable funds available from the voluntary savings of individuals and corporations. Conditions of this character have existed during much of the time since the Korean attack in June 1950. They exist in the main today and they promise to become accentuated over the next 12 months or so because of the large Federal deficit which we shall soon be incurring.

It is well to bear in mind that it is the relation of spending (including consumer spending, business spending, and government spending) for goods and services to the supply of goods and services which is the biggest factor determining prices. All kinds of financial transactions, including the increase in the money supply (of which a minor fraction is currency and the major fraction is bank deposits) affect prices only as they result in an increase or decrease in spending or a decrease or increase in the supply of goods and services. For example, the effect on prices of an increase in bank reserves cannot be accurately forecast either as to amount or as to time. The result depends on many other economic steps. The results can be more readily forecast in a period of inflation than in one of deflation, when there may be no further steps at all, at least not for months or years; but even in a period of inflation the timing and amount of the consequences are uncertain. In all discussions of the effect of monetary and debt transactions, it is necessary to follow through to the effects on actual spending and on the actual supply of goods and services.

The economic dilemma that is presented when the demands for loanable funds exceed the supply in a period of full employment is suggestive of the parlor game of musical chairs, in which there are less chairs than people. In musical chairs, there would be no game if the number of people and the number of chairs were the same, but in the situation just described regarding the Federal debt, the number of players and the number of chairs must in some manner be made the same. The problem is how to restore equilibrium between the supply and demand of loanable funds while maintaining price stability in maximum degree. Either an equilibrium must be achieved between the supply of loanable funds and the demand for loanable funds, or some kind of rationing of loanable funds will have to be carried on by action of either the lenders or the government.

To achieve an equilibrium between the supply of loanable funds and the demand for loanable funds, it is obviously necessary either to increase the supply or decrease the demand. The supply of loanable funds can be increased by persons and corporations increasing their savings. Since the spending of the loan is offset by a reduction in spending by the saver of the money, the result is not inflationary. Another method of increasing the supply of loanable funds is for persons and corporations to loan funds which they formerly held idle. In this way, the velocity of circulation is increased and spending is increased; the result is inflationary. The lending power of banks can be increased by enlarging commercial bank reserves through an inflow of gold, rediscounting with Federal Reserve banks, or the purchase of government securities by Federal Reserve banks. The lending power conferred by bank reserves can be increased by reducing reserve requirements. Lending power can be decreased, of course, in the reverse ways by raising reserve requirements, by an outflow of gold, by paying off rediscounts, and by the sale of securities by Federal Reserve banks.

There are conditions under which an expansion in the supply of loanable funds is not inflationary. As just mentioned, if savings are being simultaneously increased, an increase in spending growing out of increased loans will not add additional inflationary pressures. Moreover, to the extent that the economy is growing with respect to the physical volume of production or trade, a larger supply of money is required to carry on the increased volume of business at the existing price level. Expansion in the supply of money or increase in the velocity of its use not in excess of such additional needs does not increase inflationary pressures. Otherwise, however, if an increase in lending power is actually followed by an increase in loans and if these, in turn, are followed by an increase in spending by consumers or businesses for goods and

Continued on page 37

*Statement by Dr. Blough before the Subcommittee on General Credit Control and Debt Management of the Joint Committee on the Economic Report, Washington, D. C., March 13, 1952.

Simple Propositions In Monetary Policy

By ALLAN SPROUL*

President, Federal Reserve Bank of New York

Mr. Sproul lays down as propositions for a monetary and debt management policy: (1) bank credit must be restrained in times of high national production; (2) credit restraints are usually most effective when applied before inflationary pressures have gained momentum; (3) general credit measures cannot be aimed at specific segments of the economy; and (4) government's credit does not depend on price fixing or price support in Government bond market. Favors setting up guide for both Treasury and Federal Reserve, but opposes a National Advisory Council. Exhumes history of Treasury-Federal Reserve controversy.

I have not had time to explore this whole reservoir of facts, figures, and analyses, but my reading has suggested three or four generalizations which I hope will not be considered "facile." I assume that we have decided, by the very fact that we have a Federal Reserve System, that we need discretion in monetary management; that we can't rely on automatic rules or formulas, on an automatic gold standard or anything else to solve our problems for us. And, except for a few commentators there seems to be wide agreement that, in exercising this discretion, general credit measures have an important role to play in helping to promote economic stability. That agreement is modified, however, sometimes to the point of nullification, by reservations as to the effectiveness of general credit measures in particular circumstances, as to the proper timing of their use, as to their impact on specific segments of the economy, and as to their compatibility with confidence in the credit of the government and a successfully functioning market for government securities.

Allan Sproul

For present purposes, I would like to try to cut through this mass of subtle reasoning and intricate analysis to a few simple propositions. These are what might be called informed judgments without proof. There can be no absolute proof in these matters.

A Few Simple Propositions

My first proposition is that at times of high national production and income, when demand tends to run in excess of available supply, the further expansion of bank credit must be restrained if we are to avoid inflation. The most effective program, of course, is one in which fiscal policy, debt management, monetary and credit policy, and all other governmental programs work in the same direction and reenforce each other. This should be a team job. It is largely meaningless, I think, to try to list anti-inflation measures in an ascending or descending order of value and importance. Whatever positive value you may ascribe to general credit measures, however, I feel safe in asserting that an inflationary credit policy can make it almost impossible to achieve stability by other means, particularly in a situation which does not justify comprehensive direct controls. Unrestrained expansion of bank credit, beyond what is required for increased production, leads to excessive demands on the available supply of goods and services and to inflated prices. This is so because of what it does to the money supply, because it tends to extinguish caution on the part of borrowers and lenders, because it imparts a false liquidity to business assets, and because it destroys public faith in your determination to combat inflation and preserve the integrity of the dollar.

We have been in or on the brink of this kind of situation during much of the period since the end of World War II, and particularly in the nine months following the outbreak of fighting in Korea. Recently an increase in saving has moderated the influence of inflationary pressures, but nothing is less predictable, in the short run with which we have to deal, than the relation of saving to income. Among other things, it is highly sensitive to the public attitude toward inflation. If there had not been signs of a will to keep inflation under control in recent months by general credit measures and other means, and if there had not been a decline in fears that goods were going to become unavailable, I doubt if increased saving would have saved the day. The Federal Reserve System has felt that it had a duty and a responsibility during this period to combat inflationary tendencies by general credit measures. It is not without significance that in many other countries, with democratic capitalistic economies similar to ours, the same course has been followed.

My second proposition is that while the timing of action in the field of credit policy is a matter of judgment and opinion in the light of circumstances, which are seldom twice alike, it is a good starting point toward decision to remember that general credit restraints are usually most effective when applied before inflationary pressures have gained momentum. In the period since the end of the war in 1945 doubt and hesitation with respect to anything smacking of general credit restraint was raised to the level of a principle. What was done was usually too little and too late. Pegged prices of government securities, which make purposeful credit policy impossible, were maintained too long. The one time prompt and agreed action was embraced with enthusiasm by all concerned was in 1949 when the temporary subsidence of inflationary pressures counseled a relaxation of restraint upon credit expansion and a concurrent decline in interest rates.

A curious form of circular reasoning seems to envelop many of those who either have little faith in or actually oppose general credit measures as one of the means of combating inflation. They will argue that such restraints are too dangerous to be used because of their collateral effects, or they will argue that they are ineffective even to the point of perverseness, but they will readily agree

Continued on page 38

*Statement by Mr. Sproul before the Subcommittee on General Credit Control and Debt Management of the Joint Committee on the Economic Report, Washington, D. C. March 20, 1952.

Steel Seizure

By ROGER W. BABSON

Mr. Babson scores President Truman's seizure of steel industry without due process of law as dangerous and unforgivable crime. Says it does harm to our prime investments.

Of all the dangerous and unforgivable things which President Truman has done, the seizure of the steel plants is the most horrible. I am not discussing the wage question involved. Doubtless, some raise in wages was justified; and if only a moderate increase, there need be no increase in steel prices. This would have been better for all—including labor—in the end. Under the above conditions, labor would get less "take-home" pay than they would get with the full increase; but what they would take home under the steel industry's offer would buy more. The action of the Stabilization Board and the President will set off another general price increase. Every reader of this column will suffer. It is too *bad*.

Roger W. Babson

The Great Crime

The great crime was to seize the plants without due process of law, or without awarding fair damages, or without treating all plants alike. We are used to having the President seize our boys and send them to Korea; but this is under a fair draft law to which all boys are equally subject. We know that our property is liable to seizure for payment of taxes, but all citizens (not having mink coats to give) are treated alike.

The President can take our home by eminent domain for a public highway or other necessary needs; but only after a fair hearing, proper time to vacate, collecting full damage — all being subject to Court injunction. The reason why the railroads were seized last year without a row is because the Railroad Laws provide for such a remedy. No such provision exists for seizing steel plants, or shoe factories, or newspapers, except in case of a War *declared by Congress*. We are now in no such War. This means President Truman's seizure was premediated robbery, done to pay a cheap political debt. I repeat it was a crime, especially when he would not at least try the Taft-Hartley Law.

What This Means to You

In short, this "Hitler-Peron" act by our President means trampling on the fundamental principle of our Constitution. The American Revolution was fought *to protect the sacredness of life and property*. The fact that the Free Nations enjoy such protection today is their main difference from the Communistic Nations. Surely, President Truman acted on some very bad and unconstitutional advice. It is a shame that he will go down in history as making this colossal mistake.

I need not describe the harm which this seizure does to our prime investments. It can undermine the security of all good stocks and bonds. If the seizure is upheld by the courts, it could cause the best stocks to go into a nose dive from which all investors, savings bank depositors and holders of life insurance policies could suffer.

Looking Into the Future

Another thought: Think of the danger of letting the President seize a newspaper which he would like to suppress! He could do this as well as seize a steel plant. He would only need to stir up the employees to demand an impossible wage increase, and then "in the emergency" seize and edit that newspaper! It is horrible to contemplate. But labor ultimately suffers from this frightful precedent. Unless the courts throw out this steel seizure, it surely someday will be used against labor itself. "It is a poor rule that will not work both ways."

Last week I was quite hopeful as to the Summer and Fall outlook. Due to Mr. Truman's retirement, I felt that the clouds were breaking. Since then, however, a thunder storm has arisen! Whatever happens to the steel case, I am now more convinced than ever that when the next big unemployment depression comes, it will be brought on by labor leaders.

J. Robinson-Duff Admit

J. Robinson-Duff & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on May 8 will admit A. Vincent Lawrence to partnership. Mr. Lawrence will acquire membership in the New York Stock Exchange on the same date.

Now Prudential Secs.

The firm name of John C. Gross, Inc., 52 Broadway, New York City, has been changed to Prudential Securities Corporation.

E. M. Abrams Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edward M. Abrams is engaging in a securities business from offices at 6338 Wilshire Boulevard.

M. C. Winton Opens

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Myron C. Winton is engaging in the securities business from offices at 139 South Beverly Drive.

With Geo. V. Yates

(Special to THE FINANCIAL CHRONICLE)

CARMEL, Calif. — James A. Mustard has joined the staff of George V. Yates & Co., Jorgenson Building.

With Hall & Hall

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Ray F. Hubbell is now affiliated with Hall & Hall, Bank of America Building.

Edgar Lyons Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edgar P. Lyons is engaging in a securities business from offices at 650 South Grand Avenue.

UNION PACIFIC RAILROAD COMPANY

FIFTY-FIFTH ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1951

To Stockholders of Union Pacific Railroad Company:

The Board of Directors submits the following report for the year ended December 31, 1951, for Union Pacific Railroad Company, including Oregon Short Line Railroad Company, Oregon-Washington Railroad & Navigation Company, Los Angeles & Salt Lake Railroad Company and The St. Joseph and Grand Island Railway Company, whose properties are leased to Union Pacific Railroad Company. The lessor companies have certain income and charges and the figures in the Income Account, other than those relating to transportation operations, and in the Surplus Account and General Balance Sheet and tabulations and tables relating thereto are stated on a consolidated basis, *excluding offsetting accounts between companies.*

INCOME.

	1951	1950	Increase	Decrease
Transportation Operations				
Operating revenues	$505,197,760.44	$465,283,516.36	$39,914,244.08	
Operating expenses	375,470,619.32	*327,651,611.92	47,819,007.40	
Revenues over expenses	$129,727,141.12	*$137,631,904.44	--------	$7,904,763.32
Taxes	77,114,792.02	76,541,751.14	$573,040.88	
Railway Operating Income	$52,612,349.10	*$61,090,153.30	--------	$8,477,804.20
Equipment rents (debit)	15,563,575.34	*15,168,748.90	$394,826.44	
Joint facility rents (debit)	1,397,484.55	1,462,272.05	--------	64,787.50
Net Income from Transportation Operations	$35,651,289.21	*$44,459,132.35	--------	$8,807,843.14
Income from Investments and Sources other than Transportation Operations				
Income from oil and gas operations—net†	$31,483,424.08	$23,902,997.87	$7,580,426.21	
Other income	8,324,771.66	*8,031,732.25	293,039.41	
Total	$39,808,195.74	*$31,934,730.12	$7,873,465.62	
Total Income	$75,459,484.95	$76,393,862.47	--------	$934,377.52
Fixed and Other Charges				
Interest on funded debt	$5,368,574.94	$5,565,280.19	--------	$196,705.25
Other interest	430,831.72	379,319.90	$51,511.82	
Miscellaneous rents	25,470.02	28,334.60	--------	2,864.58
Miscellaneous charges	769,256.72	659,377.79	109,878.93	
Total	$6,594,133.40	$6,632,312.43	--------	$38,179.03
Net Income from All Sources	$68,865,351.55	$69,761,549.99	--------	$896,198.44
Released from "Reserve against possible refunds on U. S. Government shipments"	6,894.42	226,982.16	--------	220,087.74
Total for Disposition	$68,872,245.97	$69,988,532.15	--------	$1,116,286.18
Per cent on par value of Capital Stock and average Surplus	8.23	8.80	--------	.57
DISPOSITION				
Dividends on Preferred Stock of Union Pacific Railroad Company	$3,981,724.00	$3,981,724.00		
Surplus for Common Stock of Union Pacific Railroad Company	$64,890,521.97	$66,006,808.15	--------	$1,116,286.18
Per share on stock outstanding December 31st	$14.60	$14.85	--------	$.25
Dividends on Common Stock	26,674,920.00	26,674,920.00		
Transferred to Earned Surplus—Unappropriated	$38,215,601.97	$39,331,888.15	--------	$1,116,286.18

*Restated for comparative purposes because of reclassification, under I. C. C. order, of rental received from Pullman Company on sleeping cars leased to it. †Excludes income taxes.

GENERAL BALANCE SHEET—ASSETS.

	December 31, 1951	December 31, 1950	Increase	Decrease
Investments:				
Road and Equipment	$1,281,792,134.46	$1,238,148,752.10	$43,643,382.36	
Less:				
Receipts from improvement and equipment fund	$23,823,091.13	$23,823,091.13		
Appropriations from income and surplus prior to July 1, 1907, credited to this account	13,310,236.52	13,310,236.52		
Total	$37,133,327.65	$37,133,327.65		
Road and equipment property	$1,244,658,806.81	$1,201,015,424.45	$43,643,382.36	
Donations and grants (Credit)	*$16,572,031.88*	*$14,015,057.23*	*$2,556,974.65*	
Reserve for depreciation — road and equipment (Credit)	*$213,811,198.18*	*$198,047,007.86*	*$15,764,190.32*	
Reserve for amortization of national defense projects (Credit)	*$59,398,536.25*	*$61,044,459.29*	--------	*$1,645,923.04*
Sinking funds	$2,563.75	$463.75	$2,100.00	
Capital and other reserve funds	$9,739.93	$9,463.35	$276.58	
Miscellaneous physical property	$37,280,960.61	$36,035,313.07	$1,245,647.54	
Reserve for depreciation — miscellaneous physical property (Credit)	*$19,444,433.68*	*$18,479,836.03*	*$964,597.65*	
Investments in affiliated companies:				
Stocks	$19,563,115.24	$20,312,013.24	--------	$748,898.00
Notes	288,918.68	296,190.40	--------	7,271.72
Advances	8,202,704.98	7,841,109.60	$361,595.38	
Total	$28,054,738.90	$28,449,313.24	--------	$394,574.34
Other investments:				
Stocks	$63,343,395.87	$63,969,222.36	--------	$625,826.49
Bonds and notes	20,858,797.55	21,043,464.57	--------	184,667.02
Total	$84,202,193.42	$85,012,686.93	--------	$810,493.51
Reserve for adjustment of investments in securities (Credit)	*$33,444,603.22*	*$33,769,916.15*	--------	*$325,312.93*
Total Investments	$1,051,538,200.21	$1,025,166,388.23	$26,371,811.98	
Current Assets:				
Cash	$41,084,860.92	$57,051,719.88	--------	$15,966,858.96
Temporary cash investments (U. S. Government securities)	56,400,000.00	56,343,204.51	$56,795.49	
Special deposits	126,908.50	191,870.14	--------	64,961.64
Loans and bills receivable	757.01	381.82	375.19	
Traffic and car-service balances—net	12,338,877.34	11,653,502.73	685,374.61	
Net balance receivable from agents and conductors	6,699,645.10	6,967,015.35	--------	267,370.25
Miscellaneous accounts receivable	22,063,981.57	26,910,561.34	--------	4,846,579.77
Material and supplies	57,329,984.35	42,099,998.18	15,729,986.17	
Interest and dividends receivable	914,385.88	764,039.80	150,296.08	
Accrued accounts receivable	16,195,664.54	16,404,430.52	--------	208,815.98
Other current assets:				
Baltimore and Ohio Railroad Co. capital stock applicable to payment of extra dividend of 1914	104,877.30	105,129.30	--------	252.00
Miscellaneous items	3,143,133.67	388,165.84	2,754,967.83	
Total Current Assets	$216,903,076.18	$218,880,119.41	--------	$1,977,043.23
Deferred Assets:				
Working fund advances	$136,103.66	$133,182.84	$2,920.82	
Other deferred assets	1,032,690.44	1,430,694.54	------	$398,004.10
Total Deferred Assets	$1,168,794.10	$1,563,877.38	--------	$395,083.28
Unadjusted Debits:				
Prepayments	$16,274.18	$19,517.76	------	$3,243.58
Other unadjusted debits	2,097,239.19	1,217,201.95	$880,037.24	
Total Unadjusted Debits	$2,113,513.37	$1,236,719.71	$876,793.66	
Grand Total	$1,271,723,583.86	$1,246,847,104.73	$24,876,479.13	

GENERAL BALANCE SHEET—LIABILITIES.

	December 31, 1951	December 31, 1950	Increase	Decrease
Capital Stock:				
Common stock	$222,302,500.00	$222,302,500.00		
Preferred stock	99,591,580.79	99,591,580.79		
Total Capital Stock	$321,894,080.79	$321,894,080.79		
Funded Debt	204,453,789.15	215,396,183.21	--------	$10,942,394.06
Total Capital Stock and Funded Debt	$526,347,869.94	$537,290,264.00	--------	$10,942,394.06
Due to Affiliated Companies	$8,019,631.25	$11,990,170.47	--------	$3,970,539.22
Current Liabilities:				
Audited accounts and wages payable	$28,218,176.39	$25,270,020.81	$2,948,155.58	
Miscellaneous accounts payable	2,349,155.83	4,741,912.84	--------	$2,392,757.01
Interest matured unpaid (including interest due first proximo)	158,863.55	209,300.63	--------	50,437.08
Dividends matured unpaid:				
Dividends due but uncalled for	222,664.65	247,128.94	--------	24,464.29
Extra dividend on common stock declared January 8, 1914, payable to stockholders of record March 2, 1914, unpaid	113,161.16	113,413.16	--------	252.00
Dividend on common stock payable second proximo	10,003,095.00	10,003,095.00		
Unmatured interest accrued	1,588,388.61	1,609,076.54	--------	20,687.93
Accrued accounts payable	19,848,714.81	16,890,822.35	2,957,892.46	
Taxes accrued	59,921,985.86	61,260,299.63	--------	1,338,313.77
Other current liabilities	2,240,529.29	2,455,180.80	--------	214,651.51
Total Current Liabiltiies	$124,664,735.15	$122,800,250.70	$1,864,484.45	
Deferred Liabilities	$7,789,558.74	$7,809,159.17	--------	$19,600.43
Unadjusted Credits:				
Premium on funded debt	$4,052,911.93	$4,265,171.42	--------	$212,259.49
Reserve for fire insurance	19,979,899.11	18,923,535.21	$1,056,363.90	
Reserve for depreciaion — leased property	8,275.39	7,396.63	878.76	
Other unadjusted credits	1,033,925.79	2,393,542.55	--------	1,359,616.76
Total Unadjusted Credits	$25,075,012.22	$25,589,645.81	--------	$514,633.59
Total Liabilities	$691,896,807.30	$705,479,490.15	--------	$13,582,682.85
Surplus:				
Unearned surplus	$311,639.23	$311,639.23		
Earned surplus—appropriated:				
Additions and betterments	$28,522,352.23	$28,522,352.23		
Funded debt retired through income and surplus	9,141,429.91	7,936,647.41	$1,204,782.50	
Sinking fund reserves	2,563.75	463.75	2,100.00	
Reserve against possible refunds on U. S. Government shipments	1,690,753.72	1,697,648.14	--------	$6,894.42
Total Earned Surplus — Appriated	$39,357,099.61	$38,157,111.53	$1,199,988.08	
Earned Surplus — Unappropriated	$500,573,490.48	$463,314,316.58	$37,259,173.90	
Total Earned Surplus	$539,930,590.09	$501,471,428.11	$38,459,161.98	
Total Surplus	$540,242,229.32	$501,783,067.34	$38,459,161.98	

Our Growing Vital Stake In World Trade

By WILLIAM S. SWINGLE*

President, National Foreign Trade Council, Inc.

Mr. Swingle stresses American industry's increasing dependence upon foreign sources of raw materials as basis of our stake in expanding world trade. Predicts undeveloped countries that are raw material sources will be areas of growing American investment, and, therefore, essential aims of U. S. foreign policy should be access to these sources of needed raw materials. Opposes use of government loans and credits abroad for sole purpose of maintaining high export volume to stimulate domestic employment.

One convincing method of summarizing the importance of international business to the United States is to state it in terms of cash. For example, last year exports and imports of goods amounted to the impressive total of approximately $26 billion. When we add to this figure the value of services interchanged, such as shipping and other items, the amount reaches $35 billion of American foreign trade in one year. This is not an insignificant amount even in these days of global, not to say astronomical, figures.

William S. Swingle

At the same time, United States private capital invested directly abroad in enterprises wholly or partially American-owned increased last year to a point exceeding $14 billion. Private direct investments located in many foreign countries involve not only the flow of capital but also the production and selling of goods and services in local or world markets, and some return flow of earnings to the United States. Direct investments abroad are an integral part of the nation's foreign commerce, and comprise an important part of our activities in world trade.

Added to all this there are, furthermore, large domestic investments in the American merchant marine, in the banks from coast to coast which service our foreign business, in the insurance companies offering marine and other coverage, and in American industrial companies producing for foreign commerce. The overall stake of the United States in world trade, therefore, has currently grown to a point where it represents a very essential part of our country's business and economic life in industry, finance and labor.

In examining some of the elements of foreign commerce and their importance to the United States economy, we may first consider that our nation-wide production and sales system has adjusted itself over a period of six or seven years to a volume of exports of unprecedented magnitude. To an extent, these sales abroad represent artificial export trade, paid for through our foreign aid programs. Yet last year, of a total of about $20 billion in exports of goods and services, some three-quarters were financed on a sound trade basis by $15 billion in imports. Any substantial reduction in the interchange with other nations of American products and American transportation, banking, insurance and other services would spread difficulties and depressing repercussions throughout our own economy. For the present, however, assuming no abrupt and major change in world conditions, the outlook for trade in 1952 is favorable. Exports should be a little greater than last year, with imports remaining at about the same level. The proportion of the export volume which will be financed by aid programs cannot be foretold because of such complicating factors as carry-over from previous appropriations and inability to predict what decisions Congress will make this year. Foreign traders, in their consideration of the foreign assistance programs, have rejected the proposition that government loans and credits should be extended abroad for the sole purpose of maintaining a high volume of exports in order to stimulate domestic production and employment. To spend public funds for the sole purpose of subsidizing export sales would be but a wasteful drain on our economy. While foreign aid is a matter of great current interest, these large-scale programs must, in any event, come to an end some day. From a long range point of view, the proposition requiring emphasis is that sound export business financed by imports is deserving of more widespread recognition as a vital factor in our national prosperity. It merits the close and continuing attention and backing of high policy-makers of business and government. The country as a whole needs the benefit of a more consistent attitude of interest in exports and imports so that in good times and bad we may be assured of maintaining this profitable branch of commerce.

Need for Raw Materials

Another and equally vital need is for raw materials. Product development, including many inventions and refinements introduced every year, necessitates the adoption of industrial processes constantly more complicated. New combinations of metals, chemicals and other essential materials are constantly entering into production. The variety and quantity of raw materials utilized by our productive system are tremendous and growing all the time.

The resources of the United States by themselves are far from sufficient to supply our industry with the variety and quantity of its needs. Some raw materials never were available within our borders, and others, once plentiful, are being depleted. It is startling to take account of the list of short-supply materials, which are designated as critical. Iron ore, potash, zinc, copper, fluorspar, petroleum, bismuth, lead, tungsten, cadmium and arsenic are some of them. Bauxite for important aluminum, flake graphite, cobalt, mercury, maganese, platinum and long-fibre asbestos are others. Also on the critical list are strategic mica, nickel, chromite, tin, quartz crystal and industrial diamonds.

Think of our economy and standard of living without these materials or with inadequate supplies of them. American industry's increasing dependence upon foreign sources of raw materials makes up a large part of our growing vital stake in world trade. It is an inescapable fact that in both our peaceful business and our military defense preparations we are forced to rely more and more upon importation of essential ores, metals, minerals, chemicals and other raw ingredients. There is a real necessity, therefore, for expansion of international commercial relations of benefit to all concerned.

The fact that many of the underdeveloped countries and areas of the world are recipients of United States assistance should not blind us to the further fact that the United States itself is in a stage of rapid industrial growth. Business in the United States, the same as business in the economically less advanced regions, constantly requires new capital, better and more efficient techniques of production, improved management skills to solve problems ever more complex, and labor trained in higher and higher degrees of skill. These are but some of the requirements of our own economy in continuing to increase productivity.

American Investments Abroad

American investments will grow in underdeveloped countries assuming that these countries, through study and experience, recognize increasingly that it is to their own advantage to speed their own progress by meeting the reasonable requirements for United States private capital, techniques and skills. Their own advantage goes together with ours, since American foreign trade and investment must be maintained and protected to assure us of vitally necessary materials which our economy demands and must acquire from foreign sources.

From all accounts, the countries of Eastern Europe doing business with the Soviet Union on the latter's terms are discovering themselves caught in a slow economic death squeeze. We may rest assured that, given the opportunity, Communism would impose equally harsh terms upon any and all additional countries over which it might gain ascendancy. As opposed to this concept of controlled and restricted economic development, the countries of the free world, with the leadership of the United States, should not be reluctant to develop mutually beneficial private business arrangements on an enlarging and enduring scale. Fundamental American self-interest joins with our naturally constructive way of life to guide the policies of the United States toward expansion of the economies and commerce of all countries of the free world. This is one economic and political fact that ought to be plain to any people whose minds are able to rise above Communist or extreme nationalistic propaganda.

We are interested in seeing other countries get along well, whether in Europe, the Western Hemisphere or the Middle and Far East. The overall record of American foreign traders and investors bears out the statement that we welcome the establishment and expansion of the sort of international business which is mutually profitable and long lasting. Countries reluctant to adopt and implement constructive attitudes favorable to international trade and investment hold down their own development. Perhaps some of the reluctance would be dispelled if our government indicated clearly and strongly that our provision of government funds can not continue indefinitely at anywhere near the present scale. The practice of using public funds for foreign economic assistance can become ingrained, without achieving the results desired. It has been demonstrated over and over again in many countries that the way to move forward economically is through freedom for the exercise and utilization of private initiative, private funds, private responsibility and private profit. These are the elements of the free enterprise system which has contributed so remarkably to the public good in the United States. In formulating and applying our foreign economic policy, the chief reliance should be placed upon the resources, skills and techniques of private enterprise.

In general, countries abroad need the same things we need, namely, more capital, greater skill in management and skilled labor. Our ability to help others does not depend upon some vast store of permanent wealth which we have amassed and which can be tapped at will. On the contrary, our ability to help others depends on the continual putting forth of hard effort by Americans to expand our own economy. Owing to this constant effort, the elements of business progress can be made available abroad at a fair price and on other fair terms. We have a common interest in the ambition which we share with them for economic advancement and better material standards of living. Living in a country devoted to liberty, our ambition has had a freer play, and perhaps this goes far to explain the dynamic and productive economy which we possess. It seems reasonable to suggest that the ambitions of the countries of the free world could best be satisfied by exchanging such things as capital and skills for raw materials. This should be done through an international trading system allowing plenty of play for free initiative and enterprise.

Opportunity of access to sources of needed raw materials is one of the most essential aims of United States foreign policy. Vigorously pursued with full knowledge of its vital nature, the requirements of policy can be satisfied by assurance that these raw material sources are in friendly hands. Access, and I do not mean monopolistic access by the United States to the exclusion of other countries of the free world, need not go beyond this concept of "friendly hands."

American Shipping Facilities

The same is true of transportation. United States flag shipping must be maintained on the trade routes to the sources of raw materials and to export markets abroad. While the services performed by the merchant marine in two world wars have dramatized its defense function in the public mind, it is true that our merchant fleet is also indispensable to our foreign trade. Earlier this year, Mr. James A. Farrell, Jr., a Director of the NFTC, discussed this subject with you more expertly than I can. I agree whole-heartedly with him that only the American merchant marine, which primarily and traditionally serves American exporters and importers, can provide the basic and dependable

Continued on page 32

*An address by Mr. Swingle before Members' Council, Chamber of Commerce of New Orleans, New Orleans, La., April 17, 1952.

Back to Sterling Convertibility?

By PAUL EINZIG

Commenting on the interim report of the Sterling Area Committee on restoring sterling convertibility, Dr. Einzig expresses opinion majority members in the British Cabinet favor move on following grounds: (1) it will foster U. S. aid in Britain's balance of payments difficulties; (2) it would strengthen confidence in sterling; (3) it would curtail withdrawal of funds from Britain; and (4) it would enhance British prestige. Lists arguments discounting these reasons.

LONDON, Eng.—The feeling that convertibility is likely to be restored in the not-too-distant future has been gaining ground lately. It was strengthened by the appointment in January last of a Sterling Area Committee to study the question of a return to convertibility. That committee has submitted its interim report to the governments represented on it and it will meet again some time during May to discuss the reactions of these governments to its recommendations. Although the report is understood to be strongly in favor of a return to convertibility, it does not recommend an immediate decision. Nevertheless, it is widely believed that during recent weeks the Conservative Government's attitude has changed considerably in favor of making the pound convertible at a relatively early date. In usually well-informed circles the view is held that it is no longer a question of years, but merely months.

Dr. Paul Einzig

The Cabinet is by no means unanimous about this question. Those Ministers who are in favor of an immediate return to convertibility base their attitude on the following arguments:

(1) The United States Government, Congress and American public opinion are strongly in favor of restoring the convertibility of sterling. In the absence of a decision fixing an early date for it it might become politically difficult for the Washington Administration to assist Britain in her balance of payments difficulties, especially during Election Year.

(2) If Britain should decide in favor of immediate convertibility she would presumably receive a considerable degree of assistance to enable her to face the initial pressure on her gold reserve that is bound to follow the change. There is in fact some talk about altering the statutes of the International Monetary Fund or increasing its resources to enable it to provide more extensive facilities for Britain and other countries.

(3) An announcement of an early return to convertibility would greatly strengthen confidence in sterling abroad. It would result in the covering of short positions in sterling on a large scale. Various unofficial rates of sterling abroad would undergo a sharp appreciation as a result of which it would cease to be profitable to circumvent the exchange control through the misuse of transferable accounts. This, together with short coverings, would increase the gold reserve considerably.

(4) Owing to the extensive circumvention of the Exchange Control that is taking place at present, Britain has to suffer all the disadvantages of a convertible currency without any of its advantages. If full convertibility is restored the extent of the withdrawals of funds from London is not likely to be larger than it is under the present system of inadequately enforced control.

(5) A return to convertibility would have a considerable prestige value for Britain. At a time when for considerations of economy the government had to curtail expenditure on publicity abroad, the propaganda value of a convertible sterling would come in particularly useful.

There is however another side to the picture. Indeed, there is an answer to every one of the above arguments. With regard to the American attitude the view is held in many quarters that a return to convertibility would make very little practical difference as far as 1952 is concerned. In any case, the Administration could not go during Election Year beyond the commitments it has already assumed. Any change in the Statutes or resources of the International Monetary Fund would be an inevitably lengthy process and could not produce any results before 1953. There is, of course, always a possibility of inducing the International Monetary Fund to relax its rules as far as this is possible under the existing statutes. The additional dollar facilities that could be placed at Britain's disposal by such means would not in themselves be sufficient, however, to place convertible sterling above suspicion.

It cannot be taken for granted that an announcement of an early return to convertibility would inspire confidence in sterling. The disastrous experiment of 1947 is still remembered and many people would expect that the attempt of 1952 would end in a disaster. Since, five years ago, convertibility had to be suspended within a few weeks, it is widely assumed that history would repeat itself. For this reason, those short of sterling might prefer to await developments, for a collapse of an attempt at convertibility would undoubtedly increase the likelihood of a devaluation.

Admittedly, Britain loses large amounts of gold as a result of loopholes in her exchange control. It is exaggeration to suggest, however, that for all practical purposes sterling is already convertible. Although exchange control is circumvented on an extensive scale, its circumvention is nevertheless an exception and its observance is the rule. Diversion of funds from London could assume much larger dimensions if as a result of convertibility it could be done in a lawful way. Indeed, the view is held that owing to the world-wide shortage of dollars a restoration of convertibility of sterling would be followed by a complete exhaustion of Britain's war reserve in a matter of weeks.

While it is admitted that successful maintenance of convertibility would have a high prestige value for Britain, a second failure of the attempt within five years would produce the opposite effect. From this point of view as from every other point of view, another premature attempt would be a reckless gamble with the odds heavily against Britain.

Notwithstanding these considerations, the chances seem to be in favor of a decision of early convertibility. The only reason why the outcome of the struggle within the Cabinet appears somewhat doubtful at the time of writing is that the "dash to freedom" school is divided between those who want to make sterling convertible and those who would prefer it to be unpegged and to be allowed to find its own level before it is made convertible. Although this latter view is strongly represented in the Cabinet by one of its senior members, Mr. Oliver Lyttleton, and is strongly supported in the financial press, its adoption is regarded as extremely unlikely. On the other hand, it is well on the cards that sterling may be made convertible during the Summer of this year.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Guaranty Trust Company of New York announces the appointment of Theodore H. Mengel, Jr., as an Assistant Treasurer in the banking department, main office.

* * *

Promotions on the official staff of the **Chase National Bank of New York** has been announced by Percy J. Ebbott, President, as follows: Arthur F. Henning, Second Vice-President; Walter H. Pecan, Investment Officer; Jean M. Lindberg, Pension Trust Officer, in the Trust Department. Newly-appointed Assistant Cashiers are Jack A. Peyman, William C. Roe, James S. Russell; promoted to Assistant Managers of the bank's New York City branches are George R. Belle, Alvin L. Carhart, John J. Coghlan, Walter F. Harrje, William Martin, and Adam W. Merle.

* * *

The opening of the new modern main office of the **Trade Bank & Trust Company of New York**, at Seventh Avenue at 38th Street, occurred on April 28. The bank, which reports resources of over $70,000,000, also operates offices at 8 West 48th Street, and at Second Avenue at 4th Street. Henry L. Schenk is President of the institution.

* * *

The election of Eugene J. Canale as an Assistant Treasurer of **The Marine Midland Trust Company of New York** has been announced by James G. Blaine, President. Mr. Canale will be located at the bank's Chambers Street office. Associated with the bank since 1934, he holds a B.B.A. degree from St. John's University and is a member of Bank Credit Associates of New York.

* * *

Horace C. Flanigan, President of **Manufacturers Trust Company of New York** announces that Thomas Wright Hare has been appointed an Assistant Vice-President in the bank's Out-of-Town Business Department. Mr. Hare began his banking career with the Passaic National Bank and Trust Company in Passaic, N. J. in 1938 and has also been with Wertheim & Co., 120 Broadway, New York City.

* * *

Stockholders of the **Bank of New York and Fifth Avenue Bank of New York** at a special meeting on April 29 voted to shorten its corporate title to **The Bank of New York.** Over 97% of the stockholders who voted in person or by proxy were in favor of the change, which becomes effective today (May 1). The Bank of New York was the title originally adopted by the institution when it first opened its doors for business in 1784. The merger with The Fifth Avenue Bank of New York occurred in 1948. The shortening of the corporate title it is pointed out will in no way alter the bank's organization or policies. The plans incident to the shortening of the bank's title were referred to in our April 10 issue, page 1508.

The Lafayette National Bank of Brooklyn, N. Y., has increased its capital to the extent of $150,000, raising it from $1,100,000 to $1,250,000, brought about by the sale of new stock. The enlarged capital became effective as of April 28.

* * *

The capital of the **Peoples National Bank of Lynbrook, N. Y.**, has been increased to $420,000 from $315,000, as of April 8, by the sale of new stock to the amount of $105,000.

* * *

The Concord National Bank of Concord, Mass. (capital $150,000) was placed in voluntary liquidation on April 12, having been absorbed by the **Harvard Trust Co. of Cambridge, Mass.**

* * *

It is learned from the Newark, N. J., "Sunday News" of April 13, that Clarence G. Meeks, President of the **Hudson Trust Co. of Union City, N. J.**, announced on April 12 that the bank has redeemed its outstanding preferred stock held by the Reconstruction Finance Corporation. The stock, it was added, was replaced by the sale of $990,000 in capital notes to private interests.

* * *

The resignation of Milton T. MacDonald as Vice-President of the **Trust Co. of New Jersey**, at **Jersey City**, was made known on April 18 by Mr. MacDonald at Atlantic City, according to advices from that city to the Newark "Evening News" which noted that he is the 1951 President of the Mortgage Bankers' Association of America. Mr. MacDonald, it is said, is moving to Wilmington, Del., to take over the Presidency of T. B. O'Toole, Inc., referred to as one of the largest mortgage service and real estate management organizations of the East. Mr. MacDonald, continues the account in the "News" (from a staff correspondent), is continuing his activity in the MBA.

* * *

Through the sale of new stock to the amount of $50,000 the **City National Bank of Winston-Salem, No. Carolina**, was increased, effective April 4, from $250,000 to $300,000.

* * *

The Peoples National Bank of Paducah, Ky., which recently increased its capital from $200,000 to $500,000 (noted in our issue of April 24, page 1714), changed its title effective April 5 to the **Peoples First National Bank & Trust Co.**, according to the weekly Bulletin of the U. S. Comptroller of the Currency.

* * *

Directors of **California Trust Company**, wholly owned affiliate of **California Bank, Los Angeles**, elected Wilton M. Adams Assistant Secretary on April 17, according to Frank H. Schmidt, President. Mr. Adams joined the trust company's staff in 1934 and is assigned to the Investment Dept.

* * *

A charter was issued on April 4 for the **Harbor National Bank of Aberdeen, at Aberdeen, Wash.**, with common capital of $200,000. The primary organization consists of Martin N. Deggeller, President, and J. H. Anderson, Cashier.

Lawrence Pulliam Celebrates Birthday

Lawrence S. Pulliam, Vice-President of Weeden & Co., in charge of their Los Angeles office, 650 South Spring Street, is celebrating his first half century on May 5. Mr. Pulliam was born in the university town of Missoula, Mont., but moved with his parents to California at an early age, bringing with him his love of horses and the great outdoors. His hobbies are still horses, fishing and hunting, which he pursues from a spot in the hills about 45 miles from Los Angeles.

Lawrence S. Pulliam

He graduated from the University of California at Los Angeles, majoring in electrical engineering, but landed at a trading desk in the Securities Department of the California Bank, where he remained for 15 years before joining Weeden & Co. in 1937. Trading is still both vocation and avocation.

NY Exchange Film—'What Makes Us Tick'

The New York Stock Exchange, April 29, presented a press preview of its new 12-minute animated technicolor film, "What Makes Us Tick."

Richard M. Crooks, Chairman of the Exchange, introduced the film with the comment that the Exchange had tried to picture—realistically and entertainingly—the basic facts about industry and ownership, about American business and the business of the Exchange.

"We have gone ahead on the theory," he said, "that an entertained audience is a receptive audience.

"Humor, cartoon treatment would, you might think, divert attention from the informational content of the film. We have been encouraged to believe, however, that the contrary is true. . . ."

The picture sticks to facts. There is no attempt to "sell" Free Enterprise, nor is the Stock Exchange presented as the Shining Knight of Capitalism. The picture does try to show how business works and how the Stock Exchange does play an important part in making business work.

Prints of the film are available immediately for public showing and may be had without charge from the New York Stock Exchange or any member firm of the Exchange.

Joins E. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Harold C. Foster has become affiliated with Edward E. Mathews Co., 53 State Street.

Waddell & Reed Adds

(Special to THE FINANCIAL CHRONICLE)

FAIRMONT, Minn.—Edwin C. Behrens is with Waddell & Reed, Inc.

Renyx, Field Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Orvis R. Points is with Renyx, Field & Co., Inc., 2239 East Colfax Ave.

Midwest Stock Exch. Receives Nominees

Homer P. Hargrave   Merrill M. Cohen

CHICAGO, Ill. — Morton D. Cahn, Chairman of the Nominating Committee of the Midwest Stock Exchange today announced the Committee's nominees for offices to be filled at the annual election to be held June 2, 1952:

Homer P. Hargrave of Merrill Lynch, Pierce, Fenner & Beane, Chicago, was renominated for Chairman of the Board of Governors.

Merrill M. Cohen of J. M. Dain & Company, Minneapolis, was nominated to serve as Vice-Chairman of the Board.

The following were nominated to serve as members of the Board of Governors:

Chicago: John J. Griffin, Floor Member; Walter E. Kistner, A. C. Allyn & Co.; James M. Pigott, Central Republic Company.

Cleveland: Daniel M. Hawkins, Hawkins & Company.

Minneapolis: Charles L. Grandin, Jr., Piper, Jaffray & Hopwood.

St. Louis: A. V. L. Brokaw, Friedman, Brokaw & Co.

William A. Fuller of William A. Fuller & Co., Chicago was nominated as Chairman of the Nominating Committee for 1953. Other members nominated were: Clemens E. Gunn, Gunn, Carey & Company, Cleveland; Thomas E. Hosty, Sr., Sincere & Co., Chicago; Henry W. Meers, White, Weld & Co., Chicago; Irving J. Rice, Irving J. Rice & Company, St. Paul; Edwin R. Waldemer, Stix & Co., St. Louis; and Alfred E. Turner and Robert C. Wilson, Floor Members.

Bankers Underwrite J. I. Case Stock Offer

A nationwide group headed by Morgan Stanley & Co. and Clark, Dodge & Co. and comprising 54 investment firms is underwriting J. I. Case Company's offering of 377,058 new shares of common stock to its common stockholders at $24.50 per share at the rate of one share for each five shares held of record on April 24, 1952. The subscription warrants will expire at 3 p.m. (EDT) on May 12, 1952. The company is one of the world's largest producers of farm machinery.

On April 17, by stockholder action, the authorized common stock was increased from 1,200,000 shares of $25 par value to 4,000,000 shares of $12.50 par value and each outstanding share of $25 par was changed into two shares of $12.50 par value. The shares being offered are the new shares of $12.50 par value.

The sale of this stock will augment the company's working capital and an amount equivalent to the proceeds will be used to reduce outstanding bank loans.

J. I. Case Co., successor to a business established by Jerome I. Case in 1842 is a full-line producer of farm machinery, including tractors, threshers, combines, cultivators, plows, harrows, hay machinery and many other machines and implements which are produced in various types, sizes and models. The company since 1912 has been a leading builder of farm tractors and it pioneered in the development of the thresher.

The products are sold at wholesale through Case company branches in the United States and Canada to more than 4,000 farm machinery dealers. Sales in other countries are handled through an export sales division. The company operates eight plants and five foundries in the U. S.

For the fiscal year ended Oct. 31, 1951, the company's net sales were $153,545,238. Net income was $9,786,082, equivalent to $4.86 per share on the presently outstanding common stock of $12.50 par value.

Dividends on the common stock paid during 1951 were equivalent to $2.50 per share on the $12.50 par value shares.

Now Mitchell Securities

BALTIMORE, Md. — Effective April 28, the firm name of Mitchell-Hoffman & Co., Inc., Mercantile Trust Building, was changed to Mitchell Securities, Inc. Personnel of the firm remains the same.

Sweetser, V.-P. of Arnold Bernhard Co.

Frank Eliot Sweetser

It is announced by Arnold Bernhard & Co., Inc., publishers of the "Value Line Investment Survey," that Frank Eliot Sweetser, Manager of its Personal Investment Planning Department, has been promoted to Vice-President to take effect immediately.

Mr. Sweetser has been associated with Arnold Bernhard & Co. for the past year. Prior to that he was connected with Dean Witter & Co. and the Manufacturers Trust Co. He also served for seven years in the U. S. Army with two and a half years of overseas duty as First Lieutenant.

G. H. Coppers Named to Head Com. Chamber

The nomination of George H. Coppers, President of the National Biscuit Co., for President of the Chamber of Commerce of the State of New York, was announced by Leroy A. Lincoln, Chairman of the Nominating Committee of the Chamber. Nomination is tantamount to election. Only 49 years old, Mr. Coppers, when elected at the annual meeting today, will be one of the youngest men ever to head the 184-year-old Chamber, which is the oldest in the nation. He will succeed Robert L. Hamill, who is completing his second term as President.

Stennett With Beyer Co.

DAVENPORT, Iowa—George L. Stennett has become associated with Beyer-Rueffel & Co., Kahl Building. Mr. Stennett was formerly for many years with the Standard Bond & Share Co. of Rock Island, Ill. Prior thereto he was an officer of R. E. Kramer & Co. in Davenport.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Enlarged takings of Treasury obligations is tending to keep the market in good condition despite its fairly sizable advance. Both investors and traders have shown less reluctance to step up and take securities, despite the rise which has taken place in the market as a whole. Although it is well realized that markets very seldom move straight in any one direction, there does not appear to be much fear around that a sizable reaction is likely to develop. To be sure, some backing and filling might be in order, but this would most likely be looked upon as a favorable technical development.

Speculation as to what kind of security will be offered by the Treasury in the future, to raise new money, is keeping not a few money market followers in a somewhat hesitant mood. The belief that an intermediate term obligation is quite likely has tended to take the edge off some of the outstanding middle-term issues. The declining loan trend is resulting in purchases of the higher-income eligibles by certain deposit banks.

Market Opinion Favorable

The opinion that government security prices will continue to remain on the constructive side is bringing about a well rounded demand for these obligations. The funds seeking investment in the government market are growing and there are indications that larger amounts of this money is being put to work despite the upward trend of quotations. Because of the growth in savings, and the piling up of pension funds, there has been larger takings of the higher-income Treasury obligations by both investors and traders. However, it is believed that the much improved psychological attitude toward the money markets is one of the most important forces making for the better tone which has been in evidence recently. Investors appear to be convinced that the trend is on the favorable side and are not hesitating to put funds to work even at advancing prices. To be sure, the small floating supply of securities available for sale has had something to do with this also.

Considerable gossip is being heard about new security flotations which may come along in the not-too-distant future. What the new money financing will be is a real open question, although it seems at the present time as though an intermediate term obligation appears to have the greatest support. Probably something fashioned along the lines of the recently offered 2⅜s of 1957/59. There are, however, those that do not discount the possibilities of a long-term issue coming along with a 2¾% coupon being mentioned. It is believed such an issue if offered for new money, would be eligible for purchase by commercial banks. Despite the opinion that long-term bonds might be used for new money financing, the feeling is much stronger that a medium-term obligation will be used for this purpose. There might even be options given with any new financing, according to some, with short-terms being offered to meet the needs of certain buyers, while intermediates or longs would be available for those not interested in the shortest maturities.

Interest Rate Trend Debated

There is likewise considerable discussion as to what might happen to interest rates if there should be a change in Administration in the Fall elections. It is being pointed out, however, that the level of interest rates is not something that can be identified with any political party. There were periods in the past when both high and low interest rates could be taken as the policy of both of the major political parties. It is not believed in most quarters that a change in political parties would have any important influence in itself upon the level of interest rates. Economic conditions and the position of the money markets, as well as the needs of the Treasury, will most likely continue to dictate the level of interest rates, irrespective of which party may be in power after the coming elections, according to many followers of the financial markets.

Although there have been reports of considerable forward buying in the near-eligible tap bonds by the commercial banks, it appears to be more largely gossip than fact. It will, however, be only a few more days now before the deposit banks will be able to take on the 2½s due 1962/67. There will no doubt be an interest in this obligation from the commercial banks, but it is not likely to be as sizable as would have been the case if the price had not advanced so sharply.

Activity and volume continues to be on the favorable side, with more switches and swops being made by non-bank investors than has been the case in quite some time. These exchanges are being worked in both directions, from and into the near eligibles and the longest maturities.

Commercial banks in the Middle West and the Pacific Coast, according to advices, have been leading the parade in the acquisition of the longest tax-protected issues. Some buying was also reported in the September 1967/72s.

The changes in the savings bonds, announced by the Treasury on Tuesday, were in line with expectations, except for the new series H bonds. The latter should have attraction for individuals that do not want a discount bond.

With Paine, Webber

GRAND RAPIDS, Mich.—Paine, Webber, Jackson & Curtis announced that F. Wayne Hathaway has joined their office, Peoples National Bank Building, as a registered representative.

Mr. Hathaway was formerly associated with Merrill Lynch, Pierce, Fenner & Beane in Grand Rapids.

B. H. Lapham Branch

AUBURN, N. Y.—B. H. Lapham & Company on May 1 is opening a branch office in the Flint Building to specialize in the sale of mutual funds. H. Cleveland Smith is manager of the new office. He has been active in Auburn as an individual dealer for over 17 years.

Continued from page 3

Inflation or Freedom—The Campaign Issue of 1952

all further incentive to save, to invest, or even to produce. Without new capital there is no way to buy new tools of production, except out of profits—and profits, of course, have been largely eaten —or taxed—away.

So at this point the patient is clearly *in extremis*. The government sends for its High Priests of Economic Mumbo-Jumbo and instructs them to find a cure.

Now I do not know what devilish perversity of human nature is responsible for this fact, but nevertheless it is a fact, that for about 4,000 years these Economic Witch Doctors have invariably come up with the same prescription.

Controls Breed Disaster

They report solemnly that the nation is suffering from high prices; and that prices must therefore be frozen. Thus, instead of attacking the disease at its source, they seek merely to suppress its symptoms. It is a good deal like putting a pneumonia patient into the deep freeze in order to bring down his fever. And the results of the treatment are invariably fatal.

Control is substituted for competition. The free market is abolished. Profits are wiped out by rising costs. Without profits—and with no new sources of capital—producers are soon unable even to *replace* the tools of production as they wear out; and without these tools of production, labor is no longer able to produce in quantity.

So the supply of goods and services begins to decline sharply. Merchants—refusing to sell goods below cost—withdraw them from the market and hoard them for their future security. Critical shortages develop. Large segments of the population begin to suffer want, privation, and even hunger. Black markets appear. Controls are piled upon controls. Property is seized. The rulers usurp dictatorial powers; and whatever democratic rights the people may have enjoyed are first suppressed and finally crushed. The Police State becomes supreme. And what happens to the patient after that is really of no consequence. For Freedom is dead!

That is a dark and depressing picture; but it is the clinical history of inflation and controls throughout the ages. It is an accurate composite of the recorded experience of man in all the nations where inflation has been allowed to run its fatal course.

The wages of economic sin are debt and taxes; and every time history repeats itself these days, those wages go up. So I shall dwell no further tonight upon the history of the ancients. I shall merely observe that inflation not only destroys Free Enterprise—it destroys all economic and political freedom as well. It has done so since the days of Babylon. It is still doing so today in America.

Government Fostered Inflation

Here at home, of course, our inflation was not only government-produced — it was government-planned. It was adopted, deliberately, as an instrument of national policy, and as an antidote for depression. That was in 1933 when our government devalued the dollar—not as a means of financing any past extravagance, but rather —I suspect—in contemplation of the future fiscal demands of a Welfare State.

Then, in accordance with the dictates of what it ironically called a "Planned Economy," our government threw economy to the winds, went into debt, and met its deficits by the roundabout issuance of printing-press money.

I think the situation in those days was summed up best by a conversation between a couple of waiters who were discussing the devaluation of the dollar. One of them said:

"Sam, if dis heah dollah has only got 59 cents worf of gold in it, what's de othah fo'ty-one cents?"

Sam scratched his head for a moment and said: "Well, ah don' rightly know, but ah reckon it's mos'ly powdahed eggs."

And that's how it's been for nearly a fifth of a century now. We've been sitting with our powdered-egg dollars on the powder keg of inflation. Yet for a number of years, nothing much happened; and back in 1940, if someone offered to bet you dollars to doughnuts, he was still giving you odds.

Then came the war; and the powder keg went up.

Effects of Prewar Inflation

The supply of money increased rapidly. Civilian production was cut back severely. Taxes discouraged investment. Shortages became alarming; rationing was instituted and black markets appeared. The Economic Witch Doctors came through with their age-old prescription for wage and price controls; but the cost of living went up just the same . . . and so, of course, did the cost of *producing*.

Under the political pressure of organized labor, the government then began to relax its wage freeze, but in the absence of an equally powerful political pressure from investors, it clung to its price ceilings as closely as it could. By the end of the war, for example, our steel prices had gone up only about 1%, but our steel wage costs had gone up about 46%; and profits had been squeezed to the bone.

Deprived, during the war years, of profits for reinvestment in the business, and with little or no new capital to be found in the market, producers were unable to expand their plants and facilities enough to meet the national necessity. So the government had to build its own defense plants in many cases, and to pay for them, in part, by watering the currency some more.

Thus we came out of the war with a public debt of more than a quarter-trillion dollars; with our money supply inflated to nearly three times its former size; with a tremendous pent-up demand by consumers for civilian goods; and in a strait-jacket of economic controls that virtually destroyed all incentive to invest in new tools of production.

Our economic future looked dark indeed . . . and would have been, I think, had the American people not turned back, almost instinctively, to the ways of Free Enterprise. Shouting a resounding "NO" to the prescriptions of the Witch Doctors, they forced the repeal of price controls and the removal of some of the most burdensome taxes on business and investment.

Benefits of Free Economy

The result was miraculous. Prices rose to meet production costs. Profits were partly restored. Incentives existed again, and capital started to flow back into the construction of new factories and furnaces. Obsolete and worn-out machines were junked and replaced by new ones. Production increased enormously and the supply of civilian goods began to

catch up with the backlog of consumer demands.

But an even greater miracle occurred, meanwhile, in Washington. It was worked by the much-maligned Eightieth Congress, of which, I am sure, our friend John Taber is still very pround to have been a member. You may recall that the President described the Eightieth as the "second worst Congress in American history"; but you may *not* recall that *that* was the Congress which balanced the Federal Budget for the first time since the New Deal had come into power.

Yes, it cut Federal spending, wiped out the deficit, produced a budget surplus, and began paying off the public debt. For two whole years it stopped the flow of printing-press money. Thus, it attacked inflation at the source, and stopped rising prices in their tracks.

By 1949 the cost of living had started to come down, and it kept on coming down. Production caught up with demand, and there was even talk of a "recession." And though millions of people, dependent on fixed incomes, could never hope to recover the losses they had suffered with their powdered-egg dollars, inflation itself had been licked. It had been licked NOT by price controls and a police state. It had been licked by American Enterprise and by a freely-elected American Congress that refused to act as a rubber stamp for the Witch Doctors.

And so it was . . . until Korea. But now it has started all over again. Another huge deficit is in the making. The printing presses are beginning to roll. Confiscatory taxes have been heaped upon productive enterprise and on investors. Price controls make expansion almost impossible. The Witch Doctors are back in the saddle; and politics rules the day.

How to Prevent Inflation

From Ancient Greece to New Deal America, the story is the same; but if we, as a nation, are capable of learning anything from experience, then surely we can no longer remain blind to these two fundamental facts about inflation.

First, that inflation must be stopped at its governmental source . . . that government alone can do this . . . and that it can only do this by balancing its budget, by living within its income, and by exercising, wisely, its powers to prevent the inflationary expansion of private credit.

Second, that the damage done by inflation can never be overcome, retroactively; but, to the extent that it can be ameliorated, this can be accomplished only by increasing the efficiency of the production of goods and services. To do that, we must have more tools of production — more factories, machines and raw materials. That means we must have more capital to buy these tools of production. And capital—remember — comes chiefly from two sources: From new investment and from the undistributed profits of enterprise.

So it all boils down to this:

Anything which increases the Federal deficit is inflationary, and is therefore undesirable. And anything which discourages private investment will curb production, and is therefore ruinous; because production is *still* the best answer to high prices. That, of course, is why rabbits are cheaper than mink!

Impact on Business

So with these two inexorable economic laws in mind, let us now see where our present governmental policies are leading us. And here again, I am going to draw heavily upon experience . . . the experience with which I am most familiar . . . the experience of United States Steel; but remember if you please, that what is happening to our business is also happening — or may well happen—to every other business in America.

Since V-J Day, United States Steel has spent more than a billion dollars on the tools of production. It has already approved the future expenditure of three-quarters of a billion more for this purpose. Where is that money to come from? Well, in answer to that question, let's see how our investors are faring.

For every dollar we paid in dividends to our common stockholders last year, we paid five dollars in taxes to the Federal government. But that is only the *first* tax on our earnings. One of our shareowners—who is in the top income tax brackets where new capital should be most readily available — wrote me the other day saying that out of every dollar he received from us in dividends, he had to pay 90 cents to the Federal government in taxes. So in the end, he got ten cents out of the six dollars we earned and the Federal government took the other $5.90 — or *fifty-nine* times as much as he retained.

Misrepresentation of Profits

Yet a Voice on the radio from Washington told you the other night that this entire $6 was profit, and it led you to believe that this $6 belonged to the owners of the business who could well afford to give a large part of it to labor in the form of higher wages.

Well, when we have that kind of misrepresentation in Washington—and when the government is getting from 5 to 59 times as much of our revenue as the owners of our business receive—I can only say that our prospect of getting new capital on any reasonable or economical terms is mighty bleak indeed.

But our chance of expanding our productive facilities out of profits is becoming even bleaker. In the first place, much of our so-called profit now has to be used merely to replace the existing tools of production as they wear out. Let me show you how it works:

In 1939, it cost us about $2,000,000 to build a new blast furnace; and over the useful life of that furnace, the government permits us to set aside that $2,000,000, in installments, as depreciation.

But if that furnace were now worn out, and if we had to replace it today, it would cost us more than $5,000,000 to do so. That means that better than $3,000,000 would have to come out of our profits *after* taxes. But the top tax rate applicable to our business is now 84%. So to get three millions of profit *after* taxes, we must collect $19,000,000 from our customers *before* taxes.

Nearly $16,000,000 of that money goes to Washington in taxes. The rest goes up in the thin air of inflation. Not one penny is left for the owners of our business. Not one penny is left to spend on the expansion of our facilities. And, when we are all through, our iron and steel-making capacity has not been increased by so much as a single ton.

Yet that Voice on the radio from Washington told you the other night that this entire $19,000,000 was *profit* and that we must give a large part of it to Labor.

Danger of Government Policies

And now, of course, that same Voice has seized our properties in order to compel us to pay labor more money for doing less work. Collective bargaining has been replaced by compulsory governmental mandate, without any authority from the Congress.

Let's see exactly what this policy means to us and to the people of America.

It means, first, that labor will have hundreds of millions of dollars more to spend, but will produce no more goods and services on which to spend it. So the upward pressure on prices will increase enormously, and up goes the cost of living.

Moreover, every dollar of that wage increase, which comes out of our profits, means one dollar less to spend on the expansion of production and on the development of the new sources of raw materials which our nation may need so desperately in the event of another war. So the supply of goods and services will lag still farther behind consumer demand. That means more upward pressure on prices and up goes the cost of living again.

But even that is not all.

For every dollar of profit we lose, as a result of such a wage increase, the Federal government will lose about *five* dollars in taxes that it otherwise would have collected from us. And as similar wage boosts spread through industry generally, as is inevitable, that means a dangerous reduction in Federal revenues. It means a ruinous increase in the size of the Federal deficit. It means more printing-press money. And it means another crippling round of inflation.

Comfort to Foreign Enemies

My friends . . . if our foreign enemies were themselves in control of our government today, they could not have devised a policy more disastrous to our economy, nor more destructive of our freedoms, than the policies which have been forced upon us by our Washington Witch Doctors with their medieval nostrums.

Inflation can be stopped by American enterprise in the free American way. It can be stopped by an American Government that is truly responsive to the needs of *all* of its people. But it can never be stopped by self-serving politicians who use freedom as a football and make private property their plaything!

There are men in Congress today . . . men of both political parties . . . who are striving honestly to stop government waste, to balance the budget, to encourage investment, to stimulate production and to crush inflation. But they cannot succeed without the outspoken help and vigorous support of the citizens of America.

Whether they are to get that help and support, is—to my way of thinking—THE campaign issue of 1952. It's up to the American people. The choice is theirs.

Inflation or freedom.

Which shall it be?

H. S. Adams Officer Of Blair Holdings

Harry S. Adams

Harry S. Adams has been elected a Director, Vice-President and Treasurer of Blair Holdings Corporation, according to an announcement by V. D. Dardi, President. For the past five years Mr. Adams was President of Pacific Corporate Services Inc., corporate financial counselors.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Otto D. Toevs and Lola L. Turner have joined the staff of Walston, Hoffman & Goodwin, 12 South First Street. Miss Turner was previously with Paul C. Rudolph & Company.

Canadian Securities

By WILLIAM J. McKAY

It has long been recognized that Canada's economic growth and development has been linked to her trade with the United States. The two countries have almost always enjoyed a close and persistent commercial intercourse, which, despite tariffs, has been practically unhampered by boundary lines and which has been more in the nature of domestic rather than foreign trade. In view of all this, the address on the "Future of Canadian-United States Trade," recently delivered at Vancouver, B. C., by Vergil D. Reed, Vice-President and Associate Director of Research of J. Walter Thompson Company, a leading advertising and economic research organization, is of special interest.

Vergil D. Reed

Commenting on the growth of Canadian-U. S. trade, Mr. Reed notes:

"In 1868 Canada's total exports to the United States amounted to $25,350,000. U. S. exports to Canada in the same year amounted to $22,660,000. In 1951 your exports to the U. S. amounted to $2,333,900,000 and our exports to Canada were $2,812,900,000. After 83 years your exports to the U. S. were over 92 times as great. Our exports to Canada were over 124 times as great. Even after correcting for dollar depreciation these increases would still be astonishing enough!

"Between 1935 and 1951 your exports to us have increased more than eight-fold, while your imports from us have increased more than nine-fold.

"The changes in the pattern of our trade hold surprises too, both as to nature and to speed. Canada's export pattern has undergone a radical change even since 1947. Her ability to adjust her economy easily to such a sudden shift in markets is convincing proof of her adaptability and soundness. Before 1947 the long-term pattern of Canadian exports has been about two-thirds overseas and one-third to the United States. Today the pattern is almost exactly reversed with two-thirds to the United States and one-third overseas. Great Britain, which used to rank with the United States as a Canadian market, takes only about 15% with the rest of the Commonwealth taking another 7%. Between 1947 and 1950 Canadian exports to the United States doubled in value and increased 60% in actual volume. Your overseas exports shrank a third in value and a half in volume.

"Last year 17.9% of U. S. exports went to Canada and 20.8% of our imports came from Canada.

"Canada's former practice of paying off trade deficits with the U. S. from her overseas trade surpluses has been replaced with a much better Canadian-United States balance with heavy U. S. investments offsetting dollar shortages, with free exchange and the Canadian dollar at par, or even at a small premium in relation to U. S. dollars.

"The change in Canada's *import* pattern has not been so drastic as in exports. While 68% of her imports came from the U. S. in 1928-29 this proportion was still roughly 67% in 1950 and 1951, although it did reach 77% in 1947. Some of the decrease between 1947 and 1950 was due to your emergency restrictions against goods from hard currency countries. These have, of course, been eliminated. It is quite probable that a small increase in the proportion of your total imports coming from the U. S. will materialize. On the other hand, other countries in their drive for dollars are competing with us more aggressively for a larger share of your imports. For instance, while your imports from the U. S. decreased from 77% to 67%, your imports from the United Kingdom increased from 7% to 13% of your total."

In summing up the outlook for Canada's trade with the U. S., Mr. Reed expressed optimism for its future growth and prosperity, but added:

"I can see but one threat to prevent that future from materializing to our common benefit. That threat is so obvious that there is danger of overlooking it and the invisibility of the obvious is the source of most of the world's woes. Should that threat materialize it will be tragic for us and for the rest of the world as well. The rising voice of restrictionism is again abroad in both our lands. This in spite of the fact that both our governments are committed to a world policy of eliminating trade barriers.

"Your Minister of Trade and Commerce, Mr. Howe, in an address in Geneva, Switzerland, last September, described that danger extremely well. He said: 'Nothing can be more short-sighted than to give way to the pessimists and to curtail trade. Some few individuals may be helped by import controls, but in the long run curtailment of trade is not the road to prosperity and higher standards of living. On the contrary, restrictions more often lead to mutual impoverishment. We have to bear in mind that import controls spread like an epidemic once they start and are very difficult to check.'

"If we sell we must buy. Otherwise, if we want to export we must give it away. There are no other solutions.

"Our Secretary of State, Mr. Acheson, said in a speech April 9, 1952, 'I have been working for 12 years on the effort to free international trade from some of its barriers and I regret to say that there are just as many now as there were when we began and the outlook is discouraging. But we must continue to fight it and you must continue to help us because the matter of freeing trade throughout the world and bringing about a greater exchange of goods is essential for the purpose that you are meeting here today to consider.'

"Leaning on the glass crutches of subsidies and tariffs is not only dangerous but it ill becomes those who claim to cherish free competitive enterprise and boast of business ingenuity.

"The ingenuity will be more profitable and much more in the interests of consumers.

"My constant hope is that Canada and the United States will continue to insure their welfare by eliminating rather than raising barriers against each other."

Sports Contests for Bond Club Field Day

Plans for a variety of sports and entertainment events for this year's annual Bond Club Field Day were announced at a dinner given for committee chairmen last night by Edward Glassmeyer, Blyth & Co. Inc., general Field Day Chairman. The outing will take place June 6 at the Sleepy Hollow Country Club in Scarborough, N. Y.

Included in the events will be the annual "Bulls" and "Bears" golf championship, tennis tournament, a fly casting exhibition and contest and a horseshoe pitching contest. Several hundred entries are expected to participate in the two-ball foursome selected drive medal play golf tournament, a variation of the Scotch foursome.

In addition to these events there will be an animal race—species unknown. Other events are being planned, Mr. Glassmeyer said, and will be announced at a later date.

Publication plans for the "Bawl Street Journal," annual satire of Wall Street doings, are well under way, it was announced, and material is steadily flowing in from Wall Street humorists.

Elected to Board

Arthur H. Lamborn has been elected to the Advisory Board of 30 Broad Street Office of Chemical Bank & Trust Company, it has been announced by N. Baxter Jackson, Chairman.

Mr. Lamborn is a partner of DeCoppet & Doremus, dealers in odd lots on the New York Stock Exchange. He is also a director of Forstmann Woolen Company of Passaic, N. J.

James Ebert Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BAKERSFIELD, Calif. — Caryl C. Turner has been added to the staff of James Ebert Company, 120 Chester Avenue.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John M. McGirr is now with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John C. Daniels is now associated with Sutro & Co., 210 West Seventh St.

Joins Witherspoon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Elmer P. Riexinger is with Witherspoon & Company, Inc., 215 West Seventh Street.

With Dean Witter Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John J. McGuire is with Dean Witter & Co., 632 South Spring Street.

Securities Salesman's Corner

By JOHN DUTTON

We all make mistakes — but when it is possible for us to learn from some the other fellow has made, let us do so. Impulsiveness, and talking without thinking, can be a most costly and expensive experience, whether it happens in the White House, or in a broker's office. Certainly, when it can bring about the loss of confidence—a valuable asset to any one in the securities business—it should be avoided at all costs.

Good Intentions Are Not Enough

The following case history of how just one mistake on the part of an account executive led to the loss of a good customer's business, clearly illustrates how even with the best of intentions, you can go off on the wrong tangent and ruin an account. In this instance, a woman investor had been reading the advertising of one of our largest member firms. She decided to pay them a visit because she thought they might be able to assist her in making a decision regarding a certain stock which she held and on which she had a substantial paper loss. She had previously spoken to a next-door neighbor whom she thought was competent to give her advice, because the neighbor had a reputation among her friends as one who had been successful in handling his own investments.

So she went to this brokerage office and placed her problem before one of their account executives. She had decided to sell stock A and buy stock B, which her neighbor had advised her would make a good "switch." She told the facts to the account executive, and admitted to him that she didn't know too much about the matter, but that she was interested in making up her loss if possible.

It is happened that only a few minutes before this lady entered the office, the account executive with whom she was discussing her problem had received an order to buy 4,000 shares of a speculative Canadian oil stock. He obtained this order from a vice-president of an important American oil company. He had been told by this man that the Canadian company was about to release some news that would be very favorable to the company, and that was the reason for this purchase of the 4,000 shares on the part of the oil company executive. He had just bought several hundred shares for his own account, and at the moment was probably quite steamed up about the prospects for the Canadian oil.

As he listened to the little lady tell about her loss in the stock she had intended to sell, and replace with another that her neighbor friend had advised her to buy, his mind naturally came up with the thought—"why not tell her about it, maybe it will be good for her, too." And that he did. He told this woman, who was a complete stranger to him, that he had the information about the Canadian oil and even where he had obtained it. He showed her an order he had placed for his own account. Of course, he meant well. The lady bought the stock and went home to await the good news that was to come out, that probably would put the stock up in price. That has been several weeks ago and she is still waiting.

Why Go Out on a Limb?

No amount of explanation could ever regain this lady's confidence —either in the customer broker, or the firm who pays his salary. Yet, he meant well. He actually wished to help this investor with her problems. She even admits this to herself because she is intelligent enough to know that the account executive could have made the same commission on the stock she had expected to buy in the first instance as he did with the Canadian oil. The order was handled on an agency basis and not as principal, and at regular Stock Exchange commission rates.

But even more important—here are some things that this customer broker did not know. The lady's account was quite large. Her husband had died only about a year before and she was actually looking for a competent source of advice. She was mainly interested in developing a good portfolio of income-producing securities and she was groping around in the dark when she called at the office of this firm for help. What an opportunity this man had to make analysis of this potential client's needs. If he had only tried to find out the basic requirements of this investor, by asking some simple everyday questions, he would have never made the blundering mistake which caused her to lose confidence in his firm and in him.

Until the time comes when people are no longer talked into good things, sure shots, easy-money quickies, and treated to inside information that sometimes never comes off, they will continue to be skeptical of the real merits of investing in corporate securities. The moral of this episode is simply this: No matter how much of a "good thing" you may have—be careful how you tell it, and to whom you tell it.

Tipping stocks has no place in the investment business. The public cannot be expected to place its confidence in any firm when its representatives pass along tips to its clients. In the long run, the only worthwhile accounts that any salesman can have are those who know that he will never suggest that they buy or sell anything except on a long-term, sound investment basis.

With Davies & Co.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Norman Haddad, formerly with Paul C. Rudolph & Co., has joined the staff of Davies & Co., T. W. Patterson Building.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Ralph H. Ohlson is now connected with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

CLAYTON, Mo.—Carl H. Koch, Jr., and Elgin M. Hartshorn are affiliated with Waddell & Reed, Inc., 7 North Brentwood Boulevard.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

WINSTON-SALEM, N. C.—Barbara Chamberlin has joined the staff of Reynolds & Co., Reynolds Building.

Katzenberg, Sour Admit

William R. Katzenberg on May 1 will become a limited partner in Katzenberg, Sour & Co., 15 Broad Street, New York City, members of the New York Stock Exchange.

Continued from first page

The Muddy Business Outlook

oracles influence the government itself as well as business and investment policies. That is what happened in 1945-46 when the Keynesian ghost was haunting Washington and a postwar depression was considered a cinch by the bureaucrats. Since Korea, the *ex officio* mouthpieces reflect the mental status and indecision of the politicians in office — their total lack of understanding of the world situation, and their irresponsible self-assurance in trumpeting each of their hastily concocted decisions as the last word of wisdom. The less they know about which way to go, the more emphatic they are in telling people which way the world will go.

The Paradox of the "Cycle"

At any rate, the profound monetary and fiscal interferences, direct and indirect price, income and investment controls, etc., which have thoroughly distorted the normal economic process, did not add an iota to its stabilization. Indeed, they have created new and vicious elements of instability.

This is illustrated again by the current situation. It is a remarkable experience that a rapidly growing economy, bent to the Full Employment bias, supported by a fantastic gold reserve and international position, led by the most expansive breed of entrepreneurs, fueled by ever-increasing government spending, lending and subsidizing—should go in reverse, if partially only. Which is what happened, as indicated by a 13 to 14% decline (1st quarter) of department store sales as against the same period of last year, by slipping soft and hard consumer goods prices, real estate values, and other obvious signs, some very distressing to those concerned.

Recurrent "setbacks" are part and parcel of the "slow" inflation; the fact that this one is sharper and lasts longer than its forerunners — 1949, in particular — should be understandable in view of the sharpness of the 1950-51 upturn that preceded it.

What makes the picture puzzling is the contrast between this tendency and the trend of construction activities. Expenditures on new plant and equipment are to reach in 1952 the all-time high of over $24 billion. Accordingly, output of "heavy" industries, from steel and oil to machinery, is running at record levels. Hasn't a whole generation of business cycle specialists preached the theory that fluctuations in construction (in the broad sense) originate the cyclical ups and downs? If that were generally true, we should be well "up." And what about the Keynesian "national income analysis," the teaching of which sweeps our colleges: how does that explain that while paid-out national income keeps rising, the money volume expanding, and the government running a cash deficit —yet, the consumer is looking for bargains?

In reality what we have witnessed in the last two years has little to do with "cyclical" phenomena in the ordinary sense. Rather, this is an interruption of the pattern that characterizes the postwar era: the pattern of creeping inflation punctured by recurrent moderate let-downs.

Two years ago, the inflationary spiral was again turning upward when the Korean "imbroglio" and its all-out implications burst into waves of panicky buying. As the panic turned out to have been a mistake, the new disequilibrium it created—on top of the "normal" disequilibrium, so to speak—had to be corrected. Which is what is taking place.

As a matter of fact, we are not back to 1950—as yet. Inventories are still at or near all-time highs. Commodity prices, raw materials in particular, are still well above their June, 1950, averages. Department store sales are running just about on the pre-panic level, but the inventories-to-sales ratios still are uncomfortably high. The shaking-down of the panic-inflation has not been completed, and we have not returned as yet to the "normal" rate of inflation.

Most likely, some more shaking-down may be ahead in the next few weeks or months. But where do we go from there? Are we to pick up the inflation thread where it was left on the eve of Korea? Or has, in the meantime, the expansion of productive capacity and the frantic stocking-up brought about another disequilibrium, this time in the deflationary direction?

Common sense, on the surface, seems on the cautious consumer's side. The construction boom is based, directly or indirectly, on military orders. It is understood by this time that a major war is not around the corner, not in the visible future. That should further slow down the boom; the slump in textiles due to a 20% cut in military buying is an illustration. If so, a great deal of painful readjustment would have to be swallowed, including sharp price wars, inventory liquidations and even shutdowns on a broad front.

But is the relatively slow progress of armaments—$7 billion worth of military "hard goods" coming out in the first quarter of this year instead of $10 billion, as an example—due to "common sense" in Washington? Or is it also a political maneuver; to avoid shortages which might hurt the Presidential chances of pro-spending candidates, with an after-election stepping-up to be expected?

The talk about an impending depression or recession merely goes to show how little the underlying forces are understood—and how strong the powers are which drive us into more inflation. Indeed, a modest slump in some private sectors of the economy has sufficed to move the inflation-interests into frenzied demands for fresh pump-priming.

Defense Preparations Will Grow

Defense preparations will grow further, to be sure. Military and foreign aid disbursements are "disappointing," but they are more than 100% ahead of last year, and the $65 billion annual rate ought to be reached by early 1953, if not before. Even if it should be stretched again, the impact need not be as depressive as it is often assumed. The spokesmen of impending doom—and the advocates of more pump-priming —overlook the fact that restraining armament expenditures could mean tax reductions. And how many domestic and international projects would be pulled out of governmental, municipal and corporate drawers once the pressure of military spending is relaxed? No one can foretell how business incentives and consumer attitudes might be affected. In view of the tremendous technological developments under way, a reversal of the militaristic trend may spark a series of highly bullish chain reactions.

Much will depend on the ability of business to adjust itself to a buyer's market and to shake off the corruptive, easy-going nonchalance that befuddles management and salesmanship after a decade of unprecedented seller's market. The debility of entrepreneurial self-reliance expresses itself in a patent shortage of merchandising ideas; requests for easier money, more subsidies and governmental orders reflect the defeatism of an over-taxed and over-administered capitalistic system.

However, depression fears and prognostications are spreading, nourished by multiplying symptoms of contra-seasonal market weaknesses, such as lagging automobile sales. It is easily forgotten that the immediate outlook still is under the spell of the previous run into commodities and of other temporary distortions of the picture (strikes!). A decade of unparalleled prosperity has revolutionized the public mentality to such an extent that it now considers even a moderate correction of the most extravagant boom as a major calamity. It demands imperatively that the correction should be rectified—the printing-press prosperity restored.

Inflationary forces are on the verge of breaking out of their "slumber" on a broad front. The resistance against a fresh diluting of the currency is rapidly disintegrating. While Europe, at long last, is making serious efforts to "disinflate" itself, we are preparing to plunge this country—ultimately the whole world—into a new turmoil of vicious wage-price spirals.

"Stabilization" serves as the phony pretext under which an uninhibited Administration joins hands with the unions to break through the ramparts of a natural, self-normalizing process. Simultaneously, new props are being put under sagging farm prices; the "parity" for soybeans, for example, is to be raised. And the planners, official or otherwise, are at work preparing colossal Make-Work programs, international Give-Away and other Spend-Ourselves-into-Riches projects.

But how can wages and prices be bolstered in the face of consumer reluctance and softening markets (world-wide!)?

Credit outpour is, of course, the answer. With all due respect to the Federal Reserve Board's "backbone" in (very timidly) standing up against the Treasury's rigid bond-pegging policy—it has accomplished nothing much so far, and it visibly weakens now.

Instead of having stopped the monetization of the debt, the microscopic raise of interest rates merely promoted the (very desirable) shifting of bank portfolios from longer into shorter maturities. Debt monetization actually has progressed throughout the "recession" year 1951, fully deflating the naive claim of Senator Douglas that "higher" interest charges (and credit restrictions) were responsible for the business setback in the consumer sector. Outstanding Reserve Bank credit expanded by the huge amount of $2.8 billion, serving as a base for a parallel growth of bank loans and investments by nearly $10 billion, and of the monetary volume by $8.8 billion. The reflux that took place since the turn of the year is seasonal, though more pronounced than in previous years.

It is perhaps even more significant that the volume of fresh corporate, individual and municipal debts keeps rising, too. Final figures for 1951 are not available as yet; they are not likely to come close to the all-time record of some $38 billion in 1950. But what transpires already, indicates that last year may turn out to have been history's second "best" in the production of debts (other than federal) — the prime vehicle of bullish expansion — adding some $25 billion, at least, to the menacingly mounting total of short and long promises to pay.

Presently, one credit restraint after the other is being scrapped. Government bonds are "re-pegged," for all practical purposes, though a bit less rigidly than before. The ineffectual props to slow down the credit flood are being removed. Continued gold inflow also helps to increase the banks' excess reserves and their lending capacity. Forthcoming budget deficits may provide the proverbial last straw. All of which should explode — once again — the myth that goes by the name of Quantity Theory of Money: that the central bank controls the fluctuations of business and employment. In theory it could do so. In practice it lacks both the foresight by which to go and the power to go by it. It instituted inflation controls a year ago—exactly when the boom was falling off. Now, it "relaxes" — when foresight would dictate a wait-and-see attitude, to say the least. It cannot do otherwise, being a political instrumentality itself; and it makes little difference whether it is dependent on the Administration or on Congress. There is one currency system only that is free from political interference: the automatic gold standard. It needs no "management" either.

D. T. Gentry With Eppler, Guerin Co.

DALLAS, Tex.—David T. Gentry has become an associate of Eppler, Guerin & Turner, with home offices in the Reserve Loan Life Building, Dallas, John W. Turner, President of the firm, has announced.

Formerly associated with Rauscher, Pierce and Company, Mr. Gentry, who served in the U. S. Marine Corps during World War II, recently returned from Marine Corps duty in Korea.

John Germain, V.-P. Of Stanley Pelz Co.

Jack Germain

Stanley Pelz & Co. Inc., 52 Broadway, New York City, announce that John P. Germain has been elected a Vice-President of the corporation. Mr. Germain was formerly with J. Arthur Warner & Co. Inc. for many years.

J. T. Skelly Joins Doremus in Phila.

PHILADELPHIA, Pa. — Doremus & Co. announces that John T. Skelly has become associated with their Philadelphia office, 1518 Walnut Street, in charge of public relations. Mr. Skelly was formerly a member of the Philadelphia staff of the "Wall Street Journal" and had been associated with the financial news department of the Philadelphia "Inquirer."

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Alvin Freeman has become connected with Dempsey-Tegeler & Co., 210 West Seventh Street.

Continued from first page

Conflicting Trends in the American Economy

though the recession of 1949 brought about a drop in investment and in personal incomes, personal consumption expenditures (when adjusted for seasonal influences) did not drop at all, except for a negligible decrease of seven-tenths of 1% between the last quarter of 1948 and the first quarter of 1949. Throughout the rest of the recession, personal consumption expenditures continued to rise in the face of falling income after taxes.

In the first half of 1950, all parts of the economy began simultaneously to expand — in other words, the overall business cycle returned. This general expansion was greatly accentuated by the outbreak of fighting in Korea. But this state of affairs did not last long. In March, 1951, to the surprise of everyone, divergent movements again began to appear. Private expenditures on plant, equipment, and inventories and government expenditures on defense continued to rise. So did personal income after taxes, but outlays on consumer goods dropped sharply. Several months later, expenditures on inventories also began to drop rapidly.

As a result of the divergent movements that began in March, 1951, the boom that had been greatly accentuated by the fighting in Korea came to an end and has been followed by a period of stability. Between March, 1951, and March, 1952, wholesale prices dropped about 4%; the consumer price index rose less than 2%; the index of industrial production scarcely changed; and civilian employment dropped about 1%. Unemployment, however, is less than a year ago.

Inspection of the present cyclical position of the American economy shows that some parts of the economy are in the phase of expansion, some in the phase of contraction, some are apparently near a cyclical peak, and some seem to be near a cyclical trough. Let us look at the cyclical position of the several parts of the economy:

(1) **Investment in private plant and equipment:** These expenditures seem to be close to the cyclical peak. Business concerns plan to spend more on plant and equipment in the second quarter of 1952 than in the first, but their plans indicate a small drop in the second half of the year. Hence this part of the economy is close to a cyclical peak.

(2) **Expenditures on inventories:** The increase in inventories has dropped from the record-breaking rate of over $15 billion a year in the second quarter of 1951 to virtually no increase at the present time. In some industries part of demand is being met out of inventories, but this cannot continue for long. Consequently, with respect to expenditures on inventories, the economy is close to the bottom of a cyclical trough.

(3) **Expenditures on consumer goods:** These outlays dropped sharply between the first quarter of 1951 and the second quarter, but they have been slowly increasing ever since. The rise in consumer spending has been confined to non-durable goods and services. The outlays for durable goods have been drifting slowly downward.

The future volume of consumer expenditures will depend upon (1) the size of personal incomes after taxes, and (2) the conditions that determine the proportion of incomes after taxes that is spent for consumer goods. Personal incomes after taxes will continue to rise, partly because there will be a small increase in the volume of employment and partly because the movement of wage rates is upward. The proportion of incomes after taxes that is now being spent for consumer goods is apparently below normal and may be expected to rise. In fact, it has been slowly rising since the third quarter of 1951 — having increased from 90.8% in the third quarter of 1951 to 92.3% in the first quarter of 1952. The annual rate of income after taxes increased about $1.6 billion between the third quarter of 1951 and the first quarter of 1952, but the annual rate of consumption expenditures increased by more than three times this amount—namely by an annual rate of $5.0 billion. The annual rate of personal net saving dropped by $3.3 billion.

Consumers, however, are in a cautious mood, and no large or vigorous growth of consumer spending is in prospect for 1952. The preliminary report of the Federal Reserve survey of consumer plans for spending and saving shows that about six in 10 consumers believe the present to be a bad time to buy. This proportion is slightly larger than it was early in 1951. It is interesting to notice that high prices are the chief reason advanced for the belief that the present is a bad time to buy, but that six in every 10 consumers expect prices to rise slightly higher during the year. In other words, most consumers do not regard buying in anticipation of still higher prices as a good reason for making purchases now. Increases in income during 1952 are expected by about four in 10 consumers and decreases by about one in 10. The proportion of people expecting prices to rise is considerably larger than the proportion expecting increases in income.

My conclusion is that with respect to consumer expenditures the economy is in a phase of revival, but the revival in 1952 will not be vigorous.

(4) **Expenditures on Residential Building:** These outlays are at an annual rate of about $10 billion—down from a peak of an annual rate of $13.7 billion in the third quarter of 1950. The demand for housing is still large, but spending in this field has been limited by credit restrictions and shortages of materials. Most materials will probably be more abundant than seemed likely several months ago. The Federal Reserve survey of consumer plans for spending indicates that the number of consumers with fairly definite intentions to buy new houses is only slightly less than last year. Furthermore, the number planning to buy new houses in 1953 is about as large as the number in 1952. Consequently, new dwelling starts in 1952 will not be much below the 1.1 million starts in 1951. Perhaps they will be as high as one million. In other words, the economy with respect to the purchase of housing seems to be in the phase of slow contraction, but probably close to the bottom of the trough. Indeed, the March figures on new housing starts suggest that the contraction phase in the purchase of houses may now be over.

(5) **Expenditures of State and Local Governments:** These have been rising year after year and will probably continue to rise because the compensation of public employees is increasing, restrictions imposed on borrowing by state and local governments under the "voluntary" credit restraint program have unfortunately been removed, and public construction programs will be less limited by scarcities of materials than seemed likely several months ago.

(6) **Defense Expenditures:** Defense spending, which rose about 67% between January 1951 and June 1951, increased only about 12% between June 1951 and March 1952. The slow growth in defense outlays in the last nine months is responsible for many of the economic conditions that have puzzled business men. Defense expenditures will continue to grow, but their rise will be limited by difficulties in freezing designs and by the reluctance of the military to order large quantities of equipment that will soon be obsolete. Consequently, I do not believe that defense outlays (including foreign military and economic aid and atomic energy) will rise as rapidly as Mr. Truman forecast in his budget message. He expressed the belief that they would be at an annual rate of $65 billion by the end of the year. In the first quarter the annual rate of these outlays was still below $48 billion. My guess would be an annual rate of slightly less than $60 billion by the end of the year. Furthermore, I do not believe that these expenditures will rise much above $60 billion a year during 1953 unless new and serious foreign crises develop. At any rate, as far as defense expenditures are concerned, the economy is in the phase of expansion.

II

What does this analysis of conflicting trends in the American economy indicate about the movement of production and employment during the remainder of 1952? The fact that different parts of the economy have different cyclical positions gives good reason to expect that any net movement will be strongly tempered by opposing trends and therefore will not be violent. Expansion in defense spending and in consumer buying will be tempered by a contraction in outlays on plant and equipment; the drop in expenditures on plant and equipment will be tempered by the expansion of defense spending and consumption.

My belief is that during the rest of 1952 the influences making for expansion will be stronger than those making for contraction. Even though the rise in defense expenditures is moderate, it will exceed the drop in outlays on plant and equipment during this year. Personal incomes, as I have pointed out, will continue to rise, partly as a result of moderate growth in employment and partly as a result of higher wage rates. The rise in personal incomes will not be offset by higher taxes. Mr. Truman has estimated that the cash outlays of the government in the next fiscal year will exceed its revenues by $10 billion. I believe that his estimate of the cash deficit is high, but cash expenditures will exceed receipts by at least $5 billion. With personal incomes after taxes rising, outlays on consumption will continue to expand.

The fact that outlays for consumer goods are low in relation to personal incomes after taxes suggests the possibility that inflation might be touched off in the near future by a substantial jump in the demand for consumer goods. This possibility seems to me to be remote. The growth in personal consumption spending will be limited by the strong disposition on the part of consumers to postpone their purchases of many kinds of goods, particularly automobiles and durable household goods, until the end of shortages of materials and equipment permits manufacturers to offer goods of better design and quality.

III

What about 1953? Expenditures on defense are likely to level off in that year. If outlays on plant and equipment drop, will there be a recession? It is too early to say very much about 1953. Certainly a levelling off in defense expenditures is to be expected — unless there are new crises abroad. And a moderate drop in outlays on plant and equipment is likely. I do not believe that the drop in these outlays will be large. One reason for this belief is that technological progress in industry is rapid and is creating a demand for new equipment. Another reason is that the defense program has forced some postponement of investment in non-defense industries.

The large backlog of needs for public improvements will probably cause expenditures by state and local governments in 1953 to be larger than in 1952. Outlays on housing will probably increase. A moderate drop in the high rate of saving and a small rise in spending for consumer goods is probable. I do not believe, however, that industry will be ready as early as 1953 to offer the new and improved goods that will be necessary to induce large increases in expenditures on consumption.

This analysis indicates that the offsetting trends which have been characteristic of the economy during much of recent years will continue into 1953. The analysis also suggests that, if there is a recession in 1953, it will be quite mild. There is a good possibility that the increase in expenditures by state and local governments, and in outlays on housing, commercial construction, and personal consumption will more than offset any drop in outlays on plant and equipment. But the mere fact that the demand for goods may be greater in 1953 than in 1952 does not assure that the increase in demand will sufficient to absorb the growth in the labor force and to prevent a rise in unemployment.

IV

Many people are deeply disturbed lest the transition from the build-up of armaments to the maintenance of armaments produces a more or less severe recession. The problem of this transition is an important one. Let us examine its nature briefly.

It is difficult to formulate the problem in precise terms because one does not know when the drop in defense spending will come or how large it will be. During the last year expectations about the time and size of the shift from armament build-up to armament-maintenance have undergone substantial changes. Last August the staff of the Joint Committee on the Economic Report assumed that defense expenditures would reach a peak of about $65 billion in the fiscal year 1953, and would then decline for the following three years to about $40 billion in the fiscal year 1956.[1] In February 1952, the staff of the Joint Committee assumed that the peak of defense expenditures would come in the fiscal year 1954, and would be about $69.5 billion. In the first year after the peak, defense expenditures were expected to drop by about $6 billion.[2] Mr. C. E. Wilson, in his report on the defense program for the first quarter of 1952, assumes that there will be a plateau of defense expenditures of about $60 billion for the calendar years 1953 and 1954. I have already indicated that I believe that defense expenditures will level off at about $60 billion in 1953. In the absence of important changes in international relations, they will not increase in 1954. This belief is based upon the rapid development in the technology of war. As I have indicated, changes in technology make it difficult to freeze designs and also limit the size of orders for any given piece of equipment.

The near-term drop in defense outlays is difficult to estimate. These outlays may well remain as high as $50 billion a year for some time. Progress in the technology of war will limit the ultimate drop in defense expenditures just as it limits the rise. No real maintenance level of outlays will ever be reached. Each year there will be much new and expensive equipment that the armed services will need to have in order to be up-to-date. This fact is illustrated by present conditions. Today the United States owns huge quantities of military equipment that are obsolete or that will soon be obsolete. For example, the present B-36 bombers, which have a speed of only 450 miles an hour, are obsolete. The present aircraft carriers are said not to be suitable for the new planes because their decks are not strong enough. Furthermore, much of the new equipment that is on order will soon be obsolete. The advent of the atomic-powered submarine will make the present submarine fleet obsolete.

If relations with Russia and China can be gradually improved in the course of time, a large drop in defense expenditures may ultimately be possible, but at present the prospect for better relations with Communist countries seems remote. Hence, no large and abrupt drop in defense spending seems likely. The slide-off that begins in 1954 or 1955 will be slow and it will not go very far. Indeed, if the rapid improvement in weapons continues, as it probably will, defense expenditures cannot be expected to drop much below $50 billion a year.

When the drop in defense spending begins, there will be important new sources for the demand for goods. Investment in industrial plant and equipment will undoubtedly be large. Although the defense program has interrupted the training of many young scientists and engineers, it has stimulated the development of technology in many ways. It makes insistent demands for metals that can withstand intense heat; it requires that parts be made to new standards of accuracy; it demands the production of more minute parts than industry has ever made; it accelerates the substitution of electronic controls for mechanical controls; and it brings about the making of more reliable electronic equipment than has ever before been produced. The advances that are now occurring in technological "know-how" mean changes in methods of production, changes in the design of goods, and the development of new kinds of goods. All of these developments will provide demand for industrial plant and equipment, especially equipment.

The drop in defense expenditures will see some rise in outlays of state and local governments because states and cities have been accumulating a large backlog of needs. The large increase in the number of children of school age will require many additional schools. More than half of the country's major highways are over 15 years old and are not adapted to modern traffic conditions. The inadequacy of present highways has been greatly aggravated by the enormous increase in the number of cars—passenger cars have increased from 27.4 million in 1940 to 40.2 million in 1950 and trucks from 4.6 million to 8.3 million. Large expenditures on roads, bypasses, bridges, grade separations, are inevitable.

Most cities have neglected to expand their water supplies to keep pace with the growing demand for water. The consumption of water has been growing, partly because of the rise in its use by industry as the output of goods

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1 Senate Report No. 644, 82nd Congress, 1st Session, p. 35. The expenditures for military functions and for foreign aid assumed by the staff for the fiscal year 1953 were $63.5 billion and for the fiscal year 1956 were $39 billion. To this should be added an amount somewhat between $1 billion and $2 billion for atomic energy.

2 Senate Report No. 1295, 82nd Congress, 2nd Session, p. 60.

has expanded, and partly because greater domestic use has been encouraged by the great increase in the number of water heaters and in the n u m b e r of cars to be washed, and by the growing vogue of gardening. The country is also becoming aware that it has been polluting its streams and that its sewerage systems are either inadequate or out-of-date.

The principal reason for believing that the drop in defense spending will not produce a severe recession is that individuals today are not spending a normal part of their incomes on consumer goods. Perhaps we do not know what ratio of expenditures for consumer goods to personal incomes after taxes is "normal," but the present ratio is low by past standards. Certainly the present high rate of personal savings is encouraging because the more the consumers save now, the more they will be able and willing to spend later on. Consequently, the present high rate of saving makes for future stability of the economy. It would be unfortunate to see the present high rate of saving cut in the near future by offering consumers inducements to go heavily into debt. When individuals return to their more or less normal habits of spending, the demand for consumer goods will rise by about $10 billion a year.

V

This review of the prospects of the American economy should not conclude without a brief notice of important recent changes that will affect long-term trends in the economy. Some of the changes are deflationary; others are inflationary.

There are three important new deflationary influences: high tax rates, the great increase in indebtedness since 1946, and the rapid spread of private pension plans. The high tax rates assure that a large part of any increase in corporate profits or personal incomes will go to the government. Corporate indebtedness has increased from about $85 billion at the end of 1945 to around $145 billion at the end of 1951, and noncorporate debt from $55 billion to around $115 billion. The large annual repayments on these debts will, of course, be deflationary. The premium payments into the rapidly increasing private pension plans now exceed benefit disbursements by about $1.8 billion to $2.0 billion a year and are another powerful deflationary influence.

There are also powerful inflationary influences. The two most important are growth of population and the growth of industrial research. Population is growing much faster than had been anticipated — in fact, the country already has as many people as the Census in 1945 estimated it would have in 1965! It now appears that the increase in population between 1950 and 1960 will be about 24 million in comparison with 19.5 million in the decade of the '40s, and 9 million in the decade of the '30s. Rapid population growth is compelling local and state governments to make large increases in expenditures on schools, hospitals, roads, water supply, and sewerage disposal.

More important of all is the amazing growth of industrial research — a development, in the main, since 1920, and especially since 1930. The number of professional workers in research laboratories today is nearly five times as large as in 1930, and outlays on research have risen even faster. Today the government is spending about $1.3 billion a year on research and industry is spending nearly $1.3 billion a year. The demand for scientists and engineers is increasing so rapidly that it is creating a serious shortage of teachers to train scientists. The shortages are being aggravated by the stupid personnel policies of the armed services. These policies are a threat to the country's security. The expansion of industrial research is bringing about a near revolution in the American economy. It means that American industry today has a capacity to discover new investment opportunities and to offer consumers new and better goods which would have been undreamed of 30 years ago. Furthermore, the American economy is unique among the economies of the world in its use of industrial research.

The growth of industrial research means that the conceptions of the economy that have been prevalent among economists are not realistic. It has been usual for economists to assume that most investment is determined by changes either in the total volume of spending in the economy or by changes in the volume of expenditures for consumer goods. Thus, a rise in expenditures would produce a given amount of investment which, in turn would bring about a given rate of expenditure. The rise of industrial research, however, means that most investment expenditures are independent of changes in the total volume of spending in the community. The development of n e w products leads to the discovery of unsaturated markets. It is the size of these new markets opened up by technological discovery rather than the changes in either the total volume of spending or the volume of spending for consumer goods that determines the volume of investment. All of this means that the economy has acquired an important new capacity to grow.

The investment opportunities created by technological research will in most years exceed the supply of investment-seeking funds provided by corporate and personal savings and pension funds. Part of these investment opportunities will be financed by credit. This will permit the money supply to increase about as rapidly as the productive capacity of the country. Hence, technological progress will not create unemployment. On the contrary, it will enable the economy to generate demand for goods as fast as it raises its capacity to produce.

If output per manhour grows at the rate of 2.5% per year, as it has been doing in recent years, if the ratio of the labor force to the population of 14 years of age or more remains the same as it is today, if the unemployment rate is 5%, and if there is a continued slow drop in the length of the work week, the net national product will grow by nearly 30% between 1951 and 1960. This will bring the net national product in 1960 up to only a little short of $400 billion.

Continued from page 9

Impact of Foreign Developments On Business Conditions in the U. S.

be confident of an improvement in the new order trend in the last six to nine months of the year.

This discussion of business prospects can be summed up quite briefly.

Last year's recession, which carried over into the first quarter of this year, should not have surprised us, since it was a natural reaction following the excesses of late 1950 and early 1951.

This recession was uneven, affecting soft lines and consumers goods industries more than others.

Despite local unemployment in mass production areas, which developed this Spring, the trend of employment and payrolls has generally been satisfactory.

Consumers in 1950 over-bought, and in 1951 they under-bought, paying off old debts and increasing their savings. We can probably guess safely that the attitude of consumers in 1952 will fall some place between these extremes, that a bigger proportion of their income will go into expenditures than it did last year, but not as much as in 1950.

New orders in most industries will make a much better showing during the next nine months than they have during the past nine months.

Price Trends

Since you are purchasing agents, my talk would be incomplete if I said nothing about price trends. Here, too, I expect a stronger showing in the last six to nine months of the year than we have had so far.

Chief depressing influences, it seems to me, have been as follows:

(1) The lag in new orders.

(2) The big first quarter Federal surplus, which very frequently pinches businessmen and individuals for cash and has a deflationary effect on speculative markets.

(3) Less active buying by the government, including purchases in world markets.

(4) Economic difficulties in many foreign countries, which have led to new austerity programs and reduced purchases in world markets.

Of these factors, I have already pointed out that I expect an improvement in the first, that is the trend of new orders.

The second factor, the first quarter Federal surplus, is already a thing of the past.

With respect to the third factor, government commodity purchases in world markets, an improvement is also likely. Foreign assistance can be given in a number of ways, in dollars, in defense orders placed abroad, in material purchases that will strengthen world markets, etc. I suspect that the more direct foreign aid is cut by Congress, the more we will have of some of the less direct forms.

The fourth factor actually is less important for raw materials than it is for finished items, particularly finished items produced by the United States. Moreover, in many of these foreign countries there has also been a reduction of commodity inventories, and a more favorable trend of buying seems likely.

However, we should not minimize the shakiness of the economic situation in Western Europe and in many other areas. This element of instability will continue to overhang world markets during the remainder of the year, and possibly longer.

From a longer-term viewpoint I must emphasize prospects of continuing inflation, even though the advance in the general price level is moderate. We can certainly look forward to some Federal deficits in the next few years. In addition, many economists believe, and have strong support for their belief, that taxes in excess of 25% of the nation's income always lead to inflationary developments, even if the budget is balanced. 25% seems to be the point beyond which incentive declines, efficiency goes down and costs go up. And in this country we have already passed that limit point.

If We Had More Like Him!

"If we cannot balance the budget in this day of high prosperity, I ask you: When can we balance it? Are conditions going to be better next year, or the following year? If we deliberately start another prolonged period of deficit spending, will we ever balance the budget again? The question cannot be answered until after the election of the next President of the United States.


Harry F. Byrd

"Only a strong and very determined President who has the conviction that the foundation stone of democracy is the maintenance of the national credit and a sound currency, can bring stability to our Federal fiscal jungle.

"Whether that man be a Democrat or a Republican, if he stands firmly on this principle, Americans everywhere will rally to his support!

"As a Senator, in the event of my re-election, I would support in the Senate such a President whether he be a Democrat or Republican to the utmost of my capacity in all efforts to restore our Government to sound principles."—Senator Harry F. Byrd.

We have too few, not too many, Byrds in Congress.

With Remer, Mitchell

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Arthur Stevens has become associated with Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street. Mr. Stevens was formerly with the Midwest Stock Exchange.

With Standard Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—James C. Flanagan has become connected with Standard Investment Co. of California, 87 South Lake Avenue. He was formerly with Hill Richards & Co.

Public Utility Securities

By OWEN ELY

Atlantic City Electric Company

Atlantic City Electric Company serves electricity to 348 communities in the lower one-third of the State of New Jersey, with an estimated population of 455,000. The business is virtually all-electric, steam and hot water service accounting for less than 1% of revenue.

The Atlantic City division contributes about 23% of total revenues and other resort areas about 12%, so that nonresort business accounts for nearly 65% of revenues. The proportion of resort business has declined from 45% of revenues before the war to the present 35%, and is expected to drop to 30% by 1955. However, resort business is valuable in that it diversifies the load and gives the company a summer sales peak, about equaling the winter peak. Atlantic City obtains most of the national convention business, and its hotels and convention hall are in fine condition.

The agricultural zone shows continued growth, with 99% of the farms in the area serviced (there are no REA co-ops). Average farm use is now at 4,454 kwh. per annum, an increase of 59% in five years. Industrial business is gaining rapidly, more new industries having located in the territory in the past two years than in the previous decade. Continued growth seems assured by current inquiries from industrial companies as well as by the potential increase in steel business, the opening of new bridges, turnpikes and parkways, etc.

The 26 new industries locating in the territory last year resulted in the employment of approximately 1,700 added persons with over $5¼ million in payroll. Eight new industries have plants under construtcion and 15 have purchased sites for plant construction. The greatest growth in the area will be in the industrial section along the southern New Jersey Delaware River Valley. Industrial customers, by classes, are well diversified and at present are of the staple class—food processing, chemicals, and glass. No one customer accounts for more than 2% of total revenue.

Annual use of service by domestic customers at the end of 1951 averaged 2,157 kwh.—about an 11% increase over the previous year and 8% above the industry average of 2,004 kwh. It is estimated that by 1955 residential usage will have grown to 3,000 kwh.

Some time ago a forecast was made by President England that completion of the Delaware Memorial Bridge and the New Jersey Turnpike would mean the addition of some 40,000 new homes in the area by 1955. Traffic over the turnpike is now at a volume equal to that forecast for 1960. In the year 1951 about 7,000 new customers were added to the company's lines, bringing the total number served to 167,000. This year the same growth trend is expected, plus an additional 6,000 customers from the acquisition of the Millville Electric Light Company. There seems to be no doubt but that the company will easily reach the 40,000 estimate.

Studies of the population growth in the area served show an estimated population of 671,000 in 1960, and based on this estimate the number of customers served is expected to rise to 239,000 by that time. Sales in 1960 are expected to be more than twice as much as in 1951; the 1960 peak load for the resort section alone may be more than for the entire territory in 1951. Net system capacity in 1954 will have increased 260,500 kilowatts—more than double that of 1945—it is forecast.

The growth in revenues, and the common stock record, have been as follows in recent years:

Year	Revs. (Mill.)	Common Stock Record Earnings	Dividends	Price Range
1951	$20.1	†$1.65	$1.30	24 —18
1950	18.0	1.65	1.20	22 —18
1949	16.3	1.55	1.20	19 —15
1948	15.0	1.45	1.20	18½—14½
1947	13.3	1.40	1.00	20½—15
1946	12.3	1.50	1.00	*
1945	11.4	1.19	1.17	*
1944	10.7	1.17	1.16	*
1943	9.4	.98	.97	*

*All stock was owned by American Gas & Electric.
†Based on average shares, $1.70.

Share earnings for the 12 months ended March 31 were $1.70 compared with $1.67 in the previous 12 months. For the calendar year 1952 they are estimated at $1.80 by President England. They can rise to $2 before EPT will probably be encountered.

This year's financing needs will total about $9 million; the recent bond issue realized $4,620,000 of this, and the balance of some $4 million will probably be obtained through a preferred stock issue sometime this fall. In 1953, debt financing of about $3 million is anticipated. (At the annual meeting of the company a few weeks ago, stockholders voted to increase the allowable percentage of unsecured borrowing from 10% to 20%, providing greater flexibility in financing.) In 1954 approximately $7 million will be required more than the cash generated within the company. The method of financing is difficult to forecast, but will probably include a common stock issue.

Canadian Correspondents

Baker, Weeks & Harden, members of the New York Stock Exchange, announce that Crabtree & McLaughlin of Montreal have become the firm's Canadian correspondents.

Gerard H. Alberts, Partner In C. A. Alberts Co.

C. A. Alberts & Co., 31 Nassau Street, New York City, have admitted Gerard H. Alberts as a general partner in the firm as of May 1.

Securities Nat'l Corp.

JERSEY CITY, N. J.—Securities National Corp. has been formed with offices at 15 Exchange Place. Officers are S. Posner, President, and Barbara Posner, Secretary-Treasurer.

Military Inv. Service

COLUMBIA, S. C.—The Military Investment Service has been formed with offices at 234 Ponte Vedra Drive to engage in the securities business. Bardy L. Tante is a principal of the firm.

Continued from page 13

A Plea for Increasing Bank Capital By Issue of Preferred Shares

ignore the authorities, or he can consider withdrawal from the banking business. He may then sell his shares in the market. Or, he will undoubtedly approve proposals for sale or merger if he is fortunate enough to be given the opportunity to vote on such a proposition.

More Bank Capital Needed

I have discussed these matters with bank officials who are admittedly in a quandary. In the banking world, it is generally recognized that more capital is necesssary. Managements are aware of their obligations to stockholders as well as to depositors and borrowers. Existing conditions make it increasingly difficult for bankers to justify the investment of their stockholders.

The problem is difficult and urgent. There is no time to be lost. The banking authorities should publish the reasons behind their reservations against preferred capital for banks. Banks and their stockholders have a right to know why the authorities are so hesitant. If these authorities believe that issuance of preferred stock requires special safeguards, they should say so. Under the circumstances, any reasonable protective limitation would be readily accepted by the banking community.

Today we are in a period of the greatest credit demand, a time of major improvement in basic interest rates. The business of banks is at record levels. Yet their earning power is low and stockholders suffer. Trapped by the attitude of the authorities, they have no recourse but to undermine their own investment, or dispose of it at a sacrifice.

One banker, especially concerned with the problem, asserted that it verged on "property seizure." Where shareholders, so beset with uncertainty, are "frozen in" and required to hold a security, he declared, there can be no free enterprise.

Continued from page 6

How to Improve Public Debt Management

the rise the debt brought about in money, and to explore possible reasons.

The Significance of the Public Debt and the Supply of Money

The fourth point I want to make is the very far reaching importance of the influence of the debt. The debt has a very important influence on taxation and on the budget. It has an impact and influence on institutions, both public and private, and their operations. The debt has a marked influence on economic and political concepts.

But the most important influence that it exerts, I believe, is on the welfare of society, of us all, through its effect on the supply of money. Not only has money been directly increased by the debt, but a large part of the debt which is not now actually in the monetary system, overhangs that system. Much of it is insecurely held as we have seen, and thus greatly inhibits operation of the monetary system, presents an ever-present possibility of great change in the supply of money depending on circumstances or psychology. For in bald fact, the monetary system will never let the Treasury be unable to borrow funds when it needs them, at least as some rate—and probably a relatively low rate compared with what we have known historically. A decade ago one of the most acute economic analysts, the late Robert B. Warren, frequently observed that the Treasury and much of the rest of the government was very busy making commitments that only the monetary system could validate. The years since have seen continually high activity in this regard. I am, of course, speaking of the entire public debt and not just the conventional part. Here, both because of the size of the debt, and the make-up which it has assumed, is a possibility, a threat, of great economic and thus political and social instability and also a great threat to the value of money. For a world precariously balanced between slavery and freedom, major economic instability could be catastrophic.

I do not urge a simple quantity theory of money upon you, but I do believe that money and changes in money have a far reaching influence on employment, prices, and prosperity. A long-term relationship appears to me to exist; it is not absolutely mathematical nor unvarying, but it has existed historically with sufficient regularity as to be impressive. And the theoretical case that money can aggravate or ameliorate both boom and slump is to me persuasive and convincing.

My fourth point is that the size of the debt and its make-up as to maturity, ownership, type and coupon have and do tremendously influence the volume of money and through it economic, political and social conditions; and the present size and make-up of the debt are very portentous for the future.

The Problem of Debt Management

The essential problem of public debt management, I submit, is to lessen the tremendous force for economic, political and social instability which now resides in the public debt. This is and will be a very difficult job. The undertaking of it can be postponed for a time, but the risk is of such size that delay is undesirable.

Some parts of the problem can be seen especially clearly. An outstanding one is to establish management over the whole debt and the agencies which affect it. The last several years have been marked by flatly contradictory operations by different organizations having responsibilities for the debt or parts of it. This is a situation that would not bode well for the public good whatever Administration was in office, and certainly enhances instability.

Another prominent part of the problem is to seek to devise some bounds on the creation or maintenance of liquidity, both money and near money. The very high standard of living in this economy means that a higher proportion of production is postponable than perhaps anywhere else in the world. When in addition there is excessive liquidity that can move rapidly from hoarding to bringing about excessive demand, and back to hoarding again, neither domestic nor international tranquility is encouraged.

Yet another aspect of the problem is to decide what objective or objectives debt management is to follow. Is the Employment Act of 1946 an adequate statement or is it biased toward inflation?

But these are but some of the major aspects if the essential problem which is my fifth point: how can the tremendous force for economic, political and social instability which now resides in the public debt be lessened? Samson's hair needs cutting and soon. I hope that the scissors are being made ready.

Recommendations

In these days of controversy, it would be more unsual to stop with analysis than to proceed with recommendation. Perhaps it would be more prudent. But I have long been impressed with E. A. Goldenweiser's injunction to statisticians and economists: Don't be intellectual eunuchs, he urges.[7] And I do have some views. Let me state them very briefly, and I am finished. There are four:

(1) Congress should pass the Douglas Resolution — which instructs the Treasury to follow the Federal Reserve's lead on monetary policy—but should broaden it to cover all Federal agencies that issue obligations or are involved in policy formulation of such agencies. This seems to me the most desirable and effective method to achieve coherent public debt management.

(2) Congress should add a strong statement about the importance of maintaining a reasonably constant *value* of money to the preamble of the Employment Act of 1946 to correct its inflationary bias. This seems to me the best way to establish unmistakably an objective — and Congress clearly has the responsibility to set the objective.

(3) Public debt management should try the reward factor a little more in its efforts to get the public debt held more securely by non-banking holders. The carrot, as "The Economist" pointed out in one of its classics, has a significant role to play.[8]

(4) Public debt management should use the market place more and the fruitless and risky gadgetry of special purpose issues and instruments less. The market place is a safer guide in this complex and shifting economy than all the planners of all the public, private and academic bureaucracies.

The public debt already has been a great factor of national strength. While I do not believe that its management in recent years has been as perfect as the Administration and its apologists often contend, neither has it been as bad as some of the opposition sometimes asserts. But the point is that the public debt should be made a much more positive force for national strength and welfare. Alexander Hamilton's confidence, I think, has been fully justified, and public debt management now and over coming years can provide even more distinguished and conclusive evidence to support it.

7 "Journal of the American Statistical Association," March, 1944, p. 1.
8 "The Carrot and the Stick" in "The Economist," June 29, 1946.

With Barret, Fitch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Elmer S. Brown is now connected with Barret, Fitch & Co., Inc., 1004 Baltimore Avenue, members of the Midwest Stock Exchange.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Philip H. Corbett is with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Continued from first page

As We See It

last week in the Federal Court where the matter had been taken by the steel companies emphatically reinforced the impression created somewhat earlier by the President's original action and his left-handed defense of that step. Here is a transcript [as reported in the press] of certain interchanges between the Government's attorney and the presiding justice.

Government Attorney: "The suggestion that the judiciary will use the force of an injunction to restrain the President in action which he believes to be necessary to the welfare of the nation is in itself somewhat startling. * * * The President is an indispensable party [and he cannot be enjoined]. Whether he acts through [Mr. Sawyer], the courts will not interfere."

Judge Pine: "Do you mean that if the President empowered Mr. Sawyer to take you into custody and execute you, you'd have no power to enjoin him?"

Government Attorney: "I'll have to think that one over."

* * *

Judge Pine: "Do you contend that the Executive has unlimited power in an emergency?"

Government Attorney: "I suppose if you carry it to its logical conclusion that's what it is. But there are two limitations—one is the ballot box; the other is impeachment."

Judge Pine: "Is it your concept of Government that the Constitution limits Congress and it limits the Judiciary but does not limit the Executive?"

Government Attorney: "That's our conception. * * * The President is accountable only to the country and his acts are conclusive."

Judge Pine: "I have never heard that expressed in any authoritative case before."

We should suppose that not only the attorney but all the American people would want "to think that one over," and not only "that one," but the major issues involved in the steel case itself, and to do so with the utmost care. The very existence in the future of a United States of America as we have known it is at stake.

Let it be carefully recalled that we are not in a state of war. There is no claim of that sort. Let it be further observed that the claim of these powers by the President is not based upon any statutory enactment, but merely upon a mystical something now termed "inherent" powers of the President—not in times of war even, but when the President in his sole discretion arrives at the conclusion that a state of emergency exists.

Plainly adverse reaction among the people and obvious alarm among the politicians later led the Government's attorney to offer an emendation to the Court, but we suspect the real position of the Administration is better stated in the original words. In any event, the difference between the two versions does not appear to go to the real root of the matter.

Always "An Emergency!"

We hope that the general public does not need to be reminded that since that day early in March, 1933, when Franklin D. Roosevelt stepped into the White House, there has never been a moment when we were not in the midst of "an emergency." At the very least the Chief Executive has always been able to call up "an emergency" when he felt the need of it. What is being proposed and promoted here is a sort of permanent government by emergency. A way must be found, and found very soon, to put an end to this type of extremely dangerous fol-de-rol.

This issue is now clearly joined in the courts. The colloquy quoted above leaves little doubt that, whatever the decision, the case is plainly and bluntly before the judiciary. It is our hope that, whatever happens meanwhile, the matter will take its course with the greatest possible dispatch up to the highest tribunal in the land. In a sense the same battle is now raging on the floor of Congress. There steps looking toward impeachment of the President have been taken, and the actions of Congress on several current measures are taken as clear reverberations of the steel case. As yet, however, no measure has come prominently to the fore in Congressional halls which directly undertakes to deal with the situation—that is, except the impeachment proposals which no one expects to come to anything very practical.

Meanwhile, there is small likelihood that final court action could be obtained for months to come. It must not be forgotten either that the entire membership of the Supreme Court as it is now constituted is New Deal or Fair Deal appointed.

The People Must Act!

All this seems to add up to a necessity, an urgent necessity, of getting the basic issues before the people this autumn in such a way that they may issue an informed and considered mandate. It all adds up to this result, in any event, for the simple reason that what is at stake here is not some legalistic interpretation of the Constitution as now written but rather the question whether the people of this country now wish to give up the idea of self-government, individual initiative, self-reliance, and all the rest which go to make up the American system as it has flourished and richly rewarded us all for decades and centuries past.

The claims to power now put forward by the President imply notions which are the very negation of Americanism. They are of the essence of totalitarianism, paternalism and the like, whether of the Fascist or the Communistic form. In the last analysis, what is proposed is the maintenance of a "great white father" in Washington who will tell us what to do, and if we do not do it with alacrity, then drive us to it. It is one with the Employment Act of 1946, with a dozen other New Deal and Fair Deal programs now growing in subsidized soil.

Can we not bring ourselves to reach a basic and final decision as to whether we want any such thing in this country and to make our wishes known next November?

As to the immediate situation, the Court has expressed our view to a nicety:

"I believe that the contemplated strike * * * with all its awful results, would be less injurious to the public than the injury which would flow from a timorous judicial recognition that there is some basis for this claim to unlimited and unrestrained executive power which would be implicit in a failure to grant the injunction."

Continued from page 7

Outlook for Banking and Business

sumer durable goods; rearmament expansion is getting us ahead of ourselves on production facilities. It is indeed frightening to contemplate the potentialities of related drops in consumer expenditures, capital expenditures and military expenditures, as there are no backlogs of demands for housing and durable goods as there was after World War II, and our productive capacity is so much greater now.

Risk of Agricultural Lending Will Increase

The improvement in the financial position of the farmer in recent years has been one of the most amazing feats in the American economy, where great happenings are commonplace. Between 1940 and 1951, our farmers increased their cash and liquid assets from \$5 billion to \$22 billion, their marketable livestock, crops, machinery and equipment from \$15 billion to \$48 billion. While their net worth was going from \$44 billion to \$130 billion, they increased their non-mortgage debts only from \$4 billion to \$7 billion, and actually decreased their farm mortgage debt from \$7 billion to \$6 billion.

But this amazing record should not cause bankers to overlook the fundamental change which has come to farming with mechanization and higher production expenses. With the present-day high *cash* (out-of-pocket) production expenses, farmers are much more exposed to the adverse effects of price and income declines. They have become more vulnerable to changes in Washington support policies. Effective financial planning has become an increasingly important factor in farm management. Bankers should, accordingly, aid farmers with counsel and advice on the necessity of larger financial reserves and the advisability of prudence in financial commitments.

Capital Needs Will Increase

The capital needs of banking will increase in the months ahead because of the increases in deposits and in loan opportunities. Despite conservative dividend policies and retention of a large part of their earnings, banks now have a ratio of capital funds to earning assets less government securities which is the lowest since 1926.

The problem of attracting adequate capital under the present discriminatory tax laws is well-nigh an insoluble one. Yet, a strong and healthy private banking system is the first cornerstone of competitive capitalism. The admitted great handicaps notwithstanding, every effort should be made to strengthen your capital position as the outlook is becoming more uncertain every day.

Investments and Investment Problems Will Increase

Banks will buy more bonds in the coming months. The \$14 billion of government securities becoming eligible for bank purchase during the year insures that ample choice will be available. In addition, new government borrowing is on its way; and the banks will get a share of it. Secretary Snyder as much as said so in a speech on April 11, before the Pacific Northwest Conference on Banking, in these words: "The Treasury's ability to borrow from non-bank sources depends upon many factors, not the least of which is the investment position and preference of institutional investors as well as individuals."

Also, the sagging price level (they even cut the price of soap the other day!) is removing the big reason for not offering securities to the banks. With the inflationary trend giving way to a deflationary one, the attitude of the Reserve officials will undoubtedly change with respect to Treasury financing. As their anti-inflation arguments can now be turned against them by the Treasury, the Federal Reserve authorities may be expected to take a more "cooperative" attitude!

In the meantime, the reduced liquidity of government securities has made bank investment problems more difficult. In this connection, bankers should keep in mind that the changed open market policy was not to increase rates—that was incidental—but to reduce the ability of institutional investors to convert long-term obligation into reserve balances at the Reserve Banks. In short, to make access to reserve credit more difficult, and on the terms of the Federal Reserve authorities rather than on the terms of the investing institutions.

These uncertainties as to the prices of government and triple A securities put greater stress on liquidity, especially intrinsic liquidity. Where loans are increasing, banks should carefully consider the advisability of a reduction in maturity of their security portfolio. On the other hand, if loans are stable, or decreasing, banks can afford to hold their longer issues or even lengthen their average maturity—of course, this suggestion is on the assumption their portfolio was invested on a conservative basis before!

Interest Rates Will Probably Not Increase

The leveling-off of most prices, and declines in many, the reduced residential construction, the increased savings and other fundamental factors point to a weakening in the interest structure. The needs of the Treasury, however, point in the opposite direction. Until we know the size of the Treasury financing and the proportion which will find its way into the banks, we can't be certain on rates.

The question as to whether the unexpected strength shown in the money market in March is temporary, or represents a longer-term trend, then, will largely depend on what the Congress does to the budget. If expenditures are cut by, say \$7 billion, reducing the cash needs of the Treasury to around \$3-\$4 billion, the March trend forecasts a longer-range pattern. If, on the contrary, the Congress continues to spend, and spend, and the Treasury has to raise some \$10 billion of new money during the second half of this year, then a *temporary setback in the bond market must be anticipated.*

However, regardless of what happens in the next few months, the increase in money rates that has taken place since the Treasury-Federal Reserve accord of March 4, 1951, does not represent a real long-term trend. The secular trend of interest rates is definitely not upward, because as soon as capital expenditures and military outlays begin to decline, money rates will likewise tend downward.

Conclusions

My conclusions are that well-managed banks can face the future with confidence.

Taxes and expenses will be higher, but earnings will be good unless banks engage in cut-throat competition for savings deposits.

Money market, economic and political uncertainties are greater, so bankers should be cautious.

The short-term trend of interest rates will depend on the size of the *cash* deficit and what is done with it. In any event, the ultimate trend of interest rates is not upward, so there is no need to take a loss on long-term government, or other high-grade bonds, unless a loss is needed for tax purposes.

Continued from page 15

The Economics of the Guaranteed Wage

ing this nine-year period, the following industries in 1948 employed *less than* 90% of the number employed in 1939.

	1948 employment as percent of 1939 employment
Hosiery	86%
Fur-felt hats	83
Cigars	81
Tobacco (chewing and smoking) and snuff	77

It should be noted that these are *industry* figures. If we had the figures for individual companies and individual plants, the increases and the decreases would be even more pronounced.

Normally, nearly 500,000 new businesses come into existence annually and nearly as many cease operations. Many of these are steel and iron shops of one kind or another. In 1929 about two out of every five corporations did business at a loss. In relatively prosperous 1937 a majority of corporations operated in the red. All this is further evidence of the dynamics of our economy and suggests the difficulties which would be encountered under guaranteed wage programs. Profitableness and survival of the individual concern are not guaranteed.

Businessmen or employers usually have little or no control over these constant shifts and changing conditions. War, changing consumer tastes and demand, the work of inventors and others play a role in causing these enormous differential shifts. If the declining industries and companies had been burdened with substantial guaranteed wage commitments, many desirable shifts and changes might have been blocked or slowed down and many companies would have been forced into bankruptcy. Yet, it is doubtful that total employment in the whole economy would have been any greater. The problem is well stated by Kaplan:

". . . consumers cannot be coerced to buy the goods of the particular plants whose employment is in need of support, rather than allocate their expenditures to the goods which they happen to prefer. A firm annual-wage commitment in each sector of production would need insurance against investment in a new product, method, or company, that may be a serious threat to the established one. Obviously there is no present likelihood of imposing such disciplines upon consumer choices. As a practical matter the system of general guarantees would, from time to time, be in a serious conflict with the trend of productive employment even in consumer goods — except for those lines that are already stable, are least in need of the guarantee, and have been cited as models for annual-wage extension." [1]

The degree to which the guaranteed wage would deter desirable production changes based upon population shifts, geographical relocation, technological and other changes, would depend upon the scope and coverage of the guaranteed wage plans and upon the speed of the changes taking place. A modest *initial* union demand would grow from year to year and would run into violent conflict with the underlying trends of a dynamic economy.

Other Economic Implications

If the guaranteed wage is to become much more general there are a number of additional economic issues which must be faced —issues which were of little or no national consequence so long as only a few hundred scattered employers adopted such plans. The guaranteed wage contract converts wages into an overhead cost of business which cannot soon be escaped by work-force reduction.

(1) Would it raise the break-even point of the individual company?

(2) Would the guaranteed wage therefore tend to cause employers to hire fewer workers?

(3) Would it retard business expansion?

(4) What will it do to the incentive to open new enterprises? How would it affect small business?

(5) Will it cause the economy to stagnate, especially those parts of it which are most susceptible to violent shifts in consumer demand upon short notice?

(6) Would the guaranteed wage, if widely demanded and put into effect, so raise the risks of business, that private job-making would become a function to be avoided to the point where the way was paved for the socialization of enterprise?

(7) What effect would a generalized guarantee system have on prices and costs?

(8) If the guaranteed wage applies in steel, can it reasonably be kept out elsewhere?

Admittedly it would raise the risks of running business. This presumably would tend to raise the supply price of risk capital and the costs of engaging in business. The costs of running business would rise and costs have a way of being reflected in sales prices. Thus what the worker might gain in steadier income, might be lost in getting less for his income.

If a whole industry, say the steel industry, established a guaranteed wage, would not the production for stock during dull years create the risk of intensifying the very breakdown which it postpones? Is this not likely to happen since under the guaranteed wage, labor costs have been converted from variable into fixed costs, so that these labor costs must be met whether there is any work done or not? If this is a likelihood, will the industry after a time, ask to be relieved from antitrust action so that it can "regulate" output and investment in the industry? If this antitrust exemption is granted how long would it take before the workers and management would engage in a conspiracy against the consumer, in the guise of a "stabilization" program? A number of labor leaders apparently have already envisaged some such development, this explaining why they urge the formation of industry or even inter-industry committees to work out joint programs.

Indeed the 1951 CIO Annual Convention unanimously adopted a resolution calling for the establishment of "Industry Councils," a "National Production Board," and equal *union authority* in the control of industrial policies. This authority would extend to policies on (1) prices, (2) production levels, (3) rates and nature of capital investment, (4) rates and nature of technological change, (5) the size and location of industrial plants, and a number of other matters traditionally in the control of the owners and operators of the enterprise as governed by competitive forces and free consumer market pressures. (See: *Proceedings*, Nov. 5, 1951, page 65.)

A wage panel or board appraising a union wage demand with far-reaching implications must weigh in all the matters that are relevant. It would seem that this CIO resolution is highly relevant to the question of the guaranteed wage, however modest the initial demand in the first year may appear to be. I would be remiss in my duty to this wage panel if I failed to draw attention to the inevitable ultimate relationship between industry-wide guaranteed wage demands, the cartelization of American industry and this resolution of the CIO. Indeed Mr. Philip Murray in supporting the resolution on November 5 endorsed it by showing its similarity to the NRA codes of 1933 which exempted industry from antitrust provisions.

Under these demands can American capitalism remain truly dynamic, resilient and adaptive? Can it meet the challenge of World Communism, to which Mr. Murray has referred, or will it lose its vigor, capacity for growth and power to respond to changing internal and external forces? The answer to this question would appear almost self-evident.

The issue of guaranteed wages must be settled in the light of all the values to which we adhere— moral values, questions of short-run security, and questions of longer run international security. In the latter connection the issue of our industrial strength and particularly our future industrial growth and economic progress are highly relevant.

What the answers to many of the foregoing questions may be cannot be fully worked out in advance. Unfortunately the experiences to date are few and isolated, and there has been no case where the effects of a guaranteed wage plan on a whole industry or the entire economy might be observed. Accordingly, these questions ought to be asked again and again, as the Wage Board considers the question for steel.

The Guaranteed Wage and Liberalized Unemployment Compensation

The government study, *Guaranteed Wages*, conducted under the leadership of Mr. Murray Latimer, suggests that guaranteed wage plans should be integrated with state unemployment compensation benefits in such a way that both types of benefits be paid at the same time (p. 103). The present Steelworkers' Union demand follows this pattern. This suggestion apparently rests on the assumption, clearly stated by Mr. Philip Murray in his statement to this Panel, (Union Exhibit No. 22, page 5) that if total wage income is persistently maintained, unemployment tendencies will be arrested, market demand for goods and services will be maintained, and this in turn will minimize to manageable proportions the employers' outlays under both the guaranteed wage and under state unemployment compensation laws. While this "consumer purchasing power theory of sustaining prosperity" is examined in the next section, here we first examine a collateral but important question involved in the proposal of adding guaranteed wage payments to unemployment compensation payments.

Labor union leaders have generally opposed [2] experience rating in unemployment compensation, under which the employer is given an incentive to reduce layoffs through potential payroll tax savings. They have argued that the forces causing unemployment are beyond the control of the individual employer, that the payroll tax-saving under experience rating gives the employer an undue interest in benefit levels and disqualification clauses in state laws, and that all employers should help finance unemployment on a uniform basis of tax levies.[3]

While employers generally have had questions about these views, and while there is much to be said against them, our concern here is with the proposal of combining annual wage guaranteed payments and unemployment compensation payments. Since both types of payments would be charged against the individual employer, would this proposal not constitute nearly 100% unemployment compensation with 100% experience rating? The guaranteed wage thus becomes greatly liberalized unemployment compensation under another name.

If so, should this matter not be considered by the legislatures which initiated unemployment compensation?

There is general agreement that at present unemployment compensation benefits reduce labor mobility, furnish some incentive toward malingering and encourage the worker to be much more hesitant in accepting other work — even though unemployment benefits amount to only 55 to 70% of his regular weekly wage and run for not over 20 to 26 weeks in any one year. But under the guaranteed wage, or the guaranteed wage supplemented by unemployment compensation, the benefit payments might equal $3,000 per year and might run for a period twice as long as under unemployment compensation alone. To the extent that the guarantee is more modest, these problems are of less significance; but such restricted guarantees may also reduce the value of the guarantee to the worker who feels insecure. Under unemployment compensation, the law requires the beneficiary to expose himself to job referrals through the State Employment Service to any and all employers who may have suitable employment. If an unemployed worker looks primarily to his previous employer for work, will this not encourage less effort to secure other work?

Many employers have found that once they made a guarantee to some or all of their employees to pay wages by the year, this commitment itself served as a powerful stimulant to organize operations in such a way that wage payments for idleness were minimized. Insofar as this objective is realized, the foregoing dangers do not arise. But frequently the objective is realized only because the guarantee is limited to what appears as practical.

If the guarantee wage becomes much more general, and if we do not succeed in eliminating substantial business fluctuations, the guaranteed wage may thus become a form of liberalized unemployment compensation with experience rating, but without the incentive for other employers to utilize effectively in productive work that portion of the labor supply which the guaranteeing employer cannot use.

So long as only a few isolated employers experimented with the guaranteed wage, these questions, although important in principle, were of minor consequence. Now that some labor unions are urging the expansion of the guaranteed wage, these issues should be examined most closely so that the basic emphasis will be upon productive employment, effective incentives for both employer and worker, and so that the guaranteed wage will not become a mere matter of "social security" in the relief sense.

Company vs. Industry or the Total Economy Approach

The approach to the guaranteed wage has greatly shifted in recent years. Formerly several hundred companies *voluntarily* embarked upon some plan, generally on a modest experimental basis, although the majority of plans did not survive the depression of the 1930s.

So long as the individual employer was free to attempt some practical guarantee, the idea had wide acceptance both among employers and others. Now that the government and union pressure have entered the field and are placing a certain degree of political pressure behind the idea, and many unions are making it a matter of more or less corecive collective bargaining on an industry-wide basis, much more serious questions arise.

In 1940, Philip Murray, President of the CIO, stated:

"Pioneers in this difficult field deserve great commendation, but not too much should be expected from their efforts. Experience to date raises doubt as to whether annual wage plans can be extended over a wide area of business activity, for basic to their success is the stabilization of operations."[4]

More recently, however, the CIO has set forth a strong demand for the guaranteed wage. Its philosophy has shifted and it now emphasizes that the guaranteed wage is a device for maintaining *general* purchasing power. It looks first to the employer or the industry to make the guarantee and then:

"How much help the government will have to give depends on how much business can do itself. . . . But what business cannot do by itself or with labor's aid, *the people, through our government, must provide.*"[5]

The same CIO report states:

"If one company or even one industry cannot act alone, labor-management councils on an industry-wide or inter-industry basis should tackle the problem."

Another labor leader states:

"The limitations of the single firm must be merely a reason for cooperation with others."[6]

Thus it is clear that substantial expansion of the guaranteed wage may have far-reaching implications for our antitrust policy and for our economy.

This was frankly recognized by the Executive Board of the Industrial Union of Marine and Shipbuilding Workers in these words:

". . . the guaranteed annual wage plans cannot be established on a nation-wide basis without establishing a planned economy in America. . . . Unplanned production, unrestrained competition are two conditions under which it would be impossible to guarantee the job security of American wage earners." *The Shipyard Worker*, April 9, 1945, p. 2.

The editor of the *United Mine Workers Journal* stated:

"The whole program presages the junking of the American way of life and the forfeiture of our industrial liberties in return for a promised security which cannot be guaranteed. . . ." *Forbes Magazine*, May 1, 1945, p. 24.

Kaplan has shown that labor is by no means agreed on the guaranteed wage.[7] Some view it as a prelude to compulsory arbitration and the negation of collective bar-

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1 A. D. H. Kaplan, *The Guarantee of Annual Wages*, Brookings Institution, 1947, p. 188.

2 Except the Wisconsin State Federation of Labor, its affiliates, and some others.

3 For an appraisal of these views see: "Experience Rating and Unemployment Compensation," *Yale Law Journal*, December, 1945, pp. 242-52.

4 *Organized Labor and Production*, by M. L. Cooke and Philip Murray, New York. Harper & Brothers, 1940, p. 121-2.

5 *Guaranteed Wages the Year Round*, CIO, p. 14. See also: *Economic Outlook*, CIO, May, 1947.

6 *Personal Journal*, April, 1946, p. 369ff.

7 A. D. H. Kaplan, *The Guarantee of Annual Wages*, Brookings Institution, 1947, p. 13 to 48.

gaining, involving a decline in the importance of unions.

The approach among proponents is no longer confined to a company-by-company basis. Each employer is still expected to do what he can, but the residual responsibility may come to rest on a whole industry, or a series of industries or on the entire economy and the government. A responsible wage panel must take account of the forces its decisions may set in motion.

Guaranteed Wages and the Maintenance of Purchasing Power

Underlying this approach, so far somewhat soft-pedaled in the steel hearings, presumably because of the current inflationary pressures, is the theory that the problem of mass unemployment is the problem of maintaining consumer purchasing power. Since wages and salaries constitute some 65 to 70% of our flow of incomes, it is held or implied that if we guarantee this steady flow of wage and salary income, the economy will become stabilized and mass unemployment will disappear.

This is an attractive and apparently plausible argument. It is held in certain labor and political circles and must be expected to be pushed as soon as markets soften and inflationary pressures disappear. Also there is just enough truth in it to make it difficult to appraise or refute. Yet, the weight of economic authority is strongly against the theory as an adequate explanation of why our economy is healthier at one time than at another.

Even Karl Marx noted that business depressions come when consumer income is at an all-time peak. Recovery from depression and from mass unemployment take place when consumer income hits new lows, such as late in 1921. These facts alone throw doubt upon the lack of purchasing power as a cause of depression.

The proponents of the view that guaranteed wages will maintain employment and purchasing power argue somewhat as follows: Jobs make payrolls, payrolls maintain markets and markets in turn make jobs; therefore, if jobs are guaranteed we will have sustained prosperity and full employment.

There is, of course, a germ of truth in this sequence. But why did the sequence break down in 1914, 1920, and again in 1929? Would the mere guarantee of jobs in each of these cases have prevented the breakdown? According to the purchasing power theorists the answer is "Yes." The verdict of most economists is against them.

There are many reasons why the general guaranteeing of jobs would not overcome the disturbances leading to depression, but one of the most crucial is that people do not spend all their income for current consumption. Retail sales to the public constitute only a part of the total national income produced at high employment. From 15 to 20% of the national income during prosperous periods, year after year, goes into investment or what economists call producers' capital formation. And it is the rate of capital formation which largely spells the difference between depression and prosperity. In 1951, even though wage incomes kept rising, in the second through the fourth quarter consumer saving doubled and many industries went into decline.

The production of new capital or producers goods (factories, machines, office and commercial buildings and the like) and also consumers' durable goods (housing, motor cars, long-lived household goods) experiences the greatest fluctuation over the course of the business cycle. During recession and depression, declines in employment and incomes of workers and owners in these industries spread their cumulative effects, to the remainder of the economy, so that even in the case of nondurable consumer goods (meats, cereals, textiles and the like) prices sag, employment declines, incomes drop; markets and jobs give way to joblessness and unsold goods.

Underlying this jerky nature of capital formation is human psychology. Waves of pessimism and optimism are more than economic phenomena; they pervade our appraisal of the "international situation," of "art," of "the rising generation," of "the future of mankind." That people are more hopeful at one time than at another is one of the facts of life, and this has some indefinable and unmeasurable relation to the levels of economic activity and employment. It is hard to see how the guarantee of jobs would overcome this deep-seated human psychology. But let us see how this psychology translates itself into economic fluctuations.

Investments in both producers' and consumers' capital, as characterized above, usually involves substantial outlays; frequently these goods are paid for over a period of years and in any case they are expected to yield their usefulness over a period of years. Furthermore, whether a specific investment takes place now, next year or in some later year, is usually not a matter of overriding urgency—the investment can be postponed, whereas the replacement of consumers' nondurable goods (a loaf of bread or a package of cigarettes) is a matter of immediate concern and perhaps urgency.

It is in respect to these factors —heavy outlays, financed by borrowing, durability, postponability — that business, investor and ultimate consumer expectations, their optimism and pessimism, and the general outlook are so important in determining the general level of jobs and employment. And it is not easy to see how the mere guarantee of jobs would change all this.

But why, apart from some postulated deep-seated human psychology, was the economic system more healthy in 1926 than in 1930? What are the factors which shift human psychology? Are *they* controllable through the guaranteed wage?

There is substantial agreement among students of the business cycle that in addition to the foregoing basic factors, other important factors affecting investment and investment decisions includes: the fluctuations in the rate of debt (credit) creation, the volume of debt-creating bank reserves, interest rates, scientific inventions and technological innovations which may have wide application, the surge of substantial new industries, attitude of government and the public temper toward business, war and its aftermath, the differential movements of prices (including wages), taxation and public budgetary positions and a host of others.

Many of these factors are deeply interrelated and interdependent. They combine in innumerable shapes and forms to make the economic system now more healthy and now less so. The crucial question is: Just how would the general guarantee of wages and employment alter any one or all of these factors? Until it can be shown how the guarantee of wages would alter the operation of these factors, the reasons for the skepticism must continue.

The guaranteed wage generally makes wage rates more rigid, less flexible and less adaptive to changing conditions.[8] While there is disagreement among students of business cycles as to the wisdom of reducing wages generally when markets begin to soften and general unemployment threatens, there is general agreement that changing conditions do require wage and other cost and price adjustments. Insofar as such constant change and adaption are desirable, there is reason to believe that the guaranteed wage may accentuate deflationary forces, once they are let loose, and may retard recovery from low levels of employment.

Even during a period of continuous sustained total prosperity, the maintenance of aggregate purchasing power does not sustain employment in specific industries or companies. Thus, new investment in housing declined from \$5.1 billion in 1925 to \$3.2 billion in 1929, even though the national income reached a peak in a latter year. Production of wool-textiles in 1932 was nearly 25% higher than in 1930; similarly cotton consumption was higher in the depression year 1933 than three years previously. Rayon shipments in 1933 were 60% above the 1929 figure. On the other hand, silk consumption was lower in relatively prosperous 1937 than it had been in 1932—close to the low of the depression. The decline in anthracite coal dating from about 1924 continued uninterruptedly through the prosperous 1920s. These data apply to whole industries; the fluctuations for individual companies were even more extreme in many cases. Data covering more recent experience show similar shifts.

Thus from these illustrations, which could be expanded at length, we must conclude that the mere maintenance of general prosperity, or total purchasing power in the economy, while important for the economy as a whole, will not guarantee the success and prosperity of particular companies or industries.

In support of the above views, we should like to quote from the recent government report:

"From a dispassionate appraisal of the efficacy of guaranteed wages, the device would appear to be, by itself alone, a weak reed upon which to rely in an attack on such widespread unemployment as our economy has encountered in recent years. Indeed it would be nothing less than tragic if, by management initiative or governmental and trade-union pressure, an ambitious program of guaranteed wages was undertaken without at the same time instituting other more important programs of government and business designed to promote high and stable levels of production, income and employment. . . .

"If other governmental measures were not instituted to cope with depressions, sober quantitative appraisal of the relationship of payrolls to corporate net worth shows that insolvency and bankruptcy could well be the price of any guaranteed wage program which was not carefully limited in its coverage and duration. . . .

"Unless a general, many-sided attack is made upon the problem of business cycle stabilization, together with a step-by-step industry-wide attack upon seasonal instability of production, guaranteed wage plans are likely to be so costly as to be doomed to failure."

Neither the writers quoted, nor those cited, are opposed to formal wage paying commitments by individual employers. Most of them are agreed that business management can do much to iron out seasonal and other short-run fluctuations, and that some benefit may accrue to the workers and to the economy by working out arrangements under which practical full-time or limited wage guarantees are made. But this approach is quite different from viewing the guaranteed wage as a major weapon in the attack on *general* economic instability and employment fluctuations.

Conclusions

The demand for the guaranteed wage is a part of the general desire for security and certainty of economic status. The limited experience with this form of wage contract has led to inconclusive results. Most of the plans established before 1930 did not survive the depression. Yet, among employers there is considerable interest in this form of contract and a number of employers report considerable success and enthusiasm. *All of them emphasize the prior importance of adopting some form of production or sales (or both) stabilization before the formal commitment is launched upon, since wage payments must be based on productivity.* That the steel industry can do this has not been asserted by the Union.

Unfortunately, these sporadic cases tell us little about the possible economic effects of a *general* guaranteed wage throughout an industry or our economic system. That such general adoption would not offer a strong weapon for the stabilization of the entire economy is the conclusion of economists who have made an independent investigation of the problem.

This conclusion, standing alone, does not necessarily argue against more generally voluntary adoption. What the effect on enterprise and expansion of much more widespread adoption might be is uncertain, but it appears probable that the risks of running a business would be raised by requiring the hiring of labor on some guaranteed basis and that the demand for labor might decline.

The demand for the guaranteed wage is in reality a demand for adequate job opportunities, for high level employment. There is reason to believe that if we can maintain reasonably stable prosperity in the years ahead that this is what the American people want and will settle for.

Unquestionably, individual employers in many cases can do more than they have done to eliminate policies which contribute to instability of their operations and can adopt policies which will encourage more steady jobs.[9] All such efforts are rich in reward to the workers, to the community and to the employer.

But the broader problem of achieving general economic stability in our economy calls for a peaceful world, and the closest cooperation of labor, management, and government, including particularly fiscal and monetary policy.

8 This, of course, is not the case with the Nunn-Bush plan under which the workers receive a constant proportion of the value of the production.

9 See: *To Make Jobs More Steady and to Make More Steady Jobs*, Webb Publishing Co., St. Paul, Minn.

With A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Jack Toppell has become associated with A. M. Kidder & Co., 139 East Flagler Street. He has recently been active as an investment adviser in Miami. Prior thereto he was with Frank D. Newman & Co. and conducted his own business in New York City.

Two With Atwill & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Frank M. Hannon and Griffin McCarthy have become affiliated with Atwill and Company, 605 Lincoln Road. Mr. Hannon was previously with William S. Beeken Co. In the past he conducted his own investment business in West Palm Beach.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Albert B. Cooperman is with Bache & Co., 1 Lincoln Road.

J. F. Weller Joins A. L. Wright & Co.

John F. Weller

PHILADELPHIA, Pa. — Arthur L. Wright & Co., Inc., 225 South Fifteenth Street announce that John F. Weller has become associated with them as manager of the corporate trading department. Mr. Weller has recently been associated with Herbert H. Blizzard & Co., Inc., as manager. The investment securities firm has also installed a direct private wire to J. F. Reilly & Co., Inc., New York City.

Carl Jackson Joins William Blair & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Carl W. Jackson has become associated with William Blair & Company, 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Jackson was formerly a Vice-President of Harris, Hall & Company, with which he had been associated for many years.

With Hamilton Manage't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Paul M. Smith is with Hamilton Management Corporation, 445 Grant Street.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — W. Marshall Galloway has become associated with Bache & Co., 135 South La Salle Street. He was formerly with Riter & Co.

With Lee Higginson Corp

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William F. Strasser has become affiliated with Lee Higginson Corporation, 231 South La Salle Street. He was formerly with McCormick & Co.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jerrold T. Kell is now with Reynolds & Co., 3[illegible] South La Salle Street.

Joins J. H. Goddard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edmund R. Thornton is now with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

H. L. Robbins Adds

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Frank A. Oftring has been added to the staff of H. L. Robbins & Co., Inc., 390 Main Street.

Joins Leason Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William R. Lytle has become associated with Leason & Co., Inc., 39 South La Salle Street.

With H. Hentz & Co.

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Fla.—Alfred S. Koch has become connected with H. Hentz & Co., Hollywood Beach Hotel.

Continued from page 19

Our Growing Vital Stake In World Trade

ocean transportation required by American foreign commerce over the long-term. This will be especially appreciated here in New Orleans where foreign trade and transportation are a very important part of your business life.

What we as Americans want to be clear about is where we are heading and how we are going to get there. A great deal of hard thinking is being devoted to these questions. They immediately bring up the subject of the aims and methods of the country's foreign policy. That we need a more forceful and more forthright foreign policy I think will be granted. Many important American companies, including some represented here today, who work together through the National Foreign Trade Council to promote and protect American foreign trade and investment, stated their views on the subject last fall. I would like to refer to some points in the Council's statement.

"Our foreign policy must have, as its immediate and continuing purpose, the safeguarding of our security and well-being as a nation and the defense of the institutions we cherish. The fulfillment of that purpose calls for the strengthening of those nations whose destiny is linked with ours, in opposition to the machinations of those other nations that stand against us. But essentially, and underlying all else, it calls for the maintenance and upbuilding of our own inherent strength.

"The task of increasing world production is one which can be discharged fully and effectively only by private industry and private endeavor. Experience has demonstrated, wherever the experiment has been tried, that the entry of government into production and distribution, whether in raw materials or manufactured goods, leads to inefficiency, waste and frustration.

"It is the function of government, domestically and in the international sphere, to make the the rules of the game and to assure that the equities of all concerned are properly regarded. But it is not the function of government to determine where or when an economic enterprise shall be undertaken, or what its operating procedures shall be. The management decisions and the technological capacities essential to the conduct of a productive enterprise cannot be provided by makeshift 'hiring' for the government account; nor can there be any substitute for the sense of continuing responsibility that private ownership entails.

"If our foreign economic policy is to serve effectively the basic purposes for which it must be intended, it is imperative that the tremendous diplomatic, political and economic facilities at the disposal of the United States Government be exerted to the corrective and constructive ends that must be sought.

"The defense of the free world, and the hopes of all who cherish freedom, are centered in the strength and security that only a great and increasing productivity can bring. Our strength and security in the United States, now and in the future, depend upon the levels of production which we and the nations friendly to us can achieve. It is to the end of procuring this strength and security, abroad and at home, that our foreign economic policy, in all of its aspects, must be dedicated."

Summary

Our stake in world trade is vital and growing. It places before us many complicated problems to be solved, and we are all immersed in the difficulties of our times. And yet many of the problems are not new in their essential nature. Our country has gone through many stages of development since its early days, but many of the problems encountered continue to repeat themselves. Going back to those earlier times, we find that Ben Franklin, who was an astute man, offered some ideas of his own on international trade. They are apropos to our problems, although unfortunately honored by neglect much as they were in those earlier days. This is what he offered:

"In time perhaps Mankind may be wise enough to let Trade take its own Course, find its own Channels, and regulate its own Proportions, etc. Most of Edicts of Princes, Placaerts (meaning official licenses and permits), Laws and Ordinances of Kingdoms for that Purpose, prove political Blunders. The Advantages they produce not being general for the Commonwealth; but particular, to private Persons or Bodies in the State who procur'd them, and at the Expence of the rest of the People."

Foreign trade and investment have always been of great importance to the United States, and never so vital as today. We have survived quite creditably in the tides and difficulties of world commerce for many years. We have been able to do so by relying on the individual initiative, good sense and enduring responsibility of our citizens who operate in foreign trade and business. All of us, I think, can be confident that we can continue to do so.

Continued from page 5

The State of Trade and Industry

assembly plants and also at Ford, where parts shortages have impeded assemblies. Detroit Lincoln-Mercury assembly halted at noon on Thursday of last week because of a parts shortage, and a labor dispute reduced DeSoto output.

A principal bright spot in the auto industry is the substantial production increases shaping up for the month, "Ward's" said, adding, that if last week's rates are continued the current week, and likelihood is that they will be, approximately 418,000 cars and 113,000 trucks will have been produced in April. This would be the best monthly volume since last August.

According to the April survey made by the National Association of Purchasing Agents on the general business situation, the general outlook continues gloomy. The group noted, in its survey, that the expected rise in spring business had failed to develop. Reports of production declines by companies outnumbered increases two-to-one. Uncertainty caused by the steel-labor dispute was cited as one reason for the dark outlook, and some increase in defense business has not been sufficient to reverse the business decline recorded since December, the association stated. About 25% of the reporting companies were offering items at reduced prices in April.

Between mid-February and mid-March, the average work-week for more than seven million workers in durable goods factories declined slightly, though there is usually an increase at this time of the year. The Bureau of Labor Statistics said the decline, from 41.8 hours to 41.6 hours, reflected "continued slackening in the output of consumer goods and building materials and a slowing down in the expansion of defense-related activities."

The business pace in the United States continued to increase slowly in March as materials shortages relaxed, the United States Department of Commerce reported. According to officials the recent improvement in materials supplies has made possible an expansion in most types of construction and has brought larger allocations for the production of consumer durable goods in coming months. Defense spending in the March quarter moved up by an annual rate of nearly $4,000,000,000. Deliveries of planes, tanks and weapons rose to $5,000,000,000—one-third higher than in the final quarter of 1951.

A rise of 0.1% in the cost of living occurred in the month ended March 15, the Bureau of Labor Statistics revealed. This was the first gain in consumer prices since Dec. 15. They dropped in February after leveling off in January. Small increases in rents and prices of miscellaneous goods and services were responsible for the rise, the bureau said.

The national oil dispute has reached a point this week where the various unions representing the petroleum industry have joined forces and have called an industry-wide strike effective as of Wednesday. More than 90,000 workers are involved, it was reported. The unions are made up of some 275,000 oil workers.

It has been reported, the unions are demanding a 25 cents an hour pay increase. Some plants have made a counter offer of about 12 cents. Recent bargaining since the board turned the dispute back to the parties, probably has narrowed the difference a good deal.

Oil refinery workers, the largest segment of industry employees represented by the union coalition, average about $2.12 an hour, while pipeline employees get considerably less, the report states.

Steel Output This Week Is Scheduled at 100.6% of Capacity

How quickly you can get steel depends on what you want, and what you want to pay for it.

If you want large size carbon bars or heavy plates, you'll have to wait awhile. If you want wire or straight chrome grades of stainless sheets, just say the word and you'll get quick delivery.

On some products, the availability depends on the price you want to pay. While some premium price mills are scratching for business, the regular price mills can point to full or reasonably full order books, states "Steel," the weekly magazine of metalworking, the current week.

These variations result from the part-defense, part-peace and and controlled economy. A change in some of the controls may alone alter the demand for a specific product. Take cold-rolled carbon steel sheets, for example, this magazine continues. There was a noticeable easing in demand for this product because appliance sales were slow and automobile production was restricted by the government. A few weeks ago the government relaxed the restrictions on auto output. Now there's a stronger demand for cold-rolled carbon sheets.

That strengthening doesn't extend to cold-rolled carbon strip. Rollers of this product are competing keenly for business.

Hot-rolled carbon sheets continue in fairly tight supply, largely because some of the continuous sheet mills are required by the government to devote considerable time to rolling light-gage steel plate so that the conventional plate mills can spend full time on heavy and wide plate, it adds.

Warehouses continue to note an easing in their business. Their steel receipts are improving but their inventories still are not balanced. On some products they have become long on supply. To move some of these items, price cutting is being resorted to. On some of the light flat-rolled products Detroit warehouses are quoting prices considerably below $20 a ton, states "Steel."

The easing in the supply of steelmaking scrap continues, it notes. Pittsburgh mills now have better scrap inventories than they have had for months. In the East, one user quit buying No. 2 scrap. In the St. Louis area, mills are comfortably fixed with 30- to 45-day stockpiles. On the West Coast, bundles are a drug on the market, and a small mill reduced its buying prices $5 across the board for open-hearth grades of scrap.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be 100.6% of capacity for the week beginning April 28, 1952, equivalent to 2,090,000 tons of ingots and steel for castings, or an increase of 0.2 of a point above the previous week's actual production of 2,087,000 tons, or 100.5% (actual) of rated capacity.

A month ago output stood at 102.1%, or 2,120,000 tons. Comparative figures for the like week a year ago were 104.0% of the smaller capacity then existing for an output of 2,079,000 tons.

Car Loadings Advance Due in Part to Heavier Coal and Ore Shipments

Loadings of revenue freight for the week ended April 19, 1952, totaled 735,097 cars, according to the Association of American Railroads, representing an increase of 44,437 cars, or 6.4% above the preceding week, due in part to increases in coal and ore loadings following the opening of lake navigation.

The week's total also represented a decrease of 74,925 cars, or 9.2% below the corresponding week a year ago, but an increase of 12,409 cars, or 1.7% above the comparable period in 1950.

Electric Output Turns Upward

The amount of electric energy distributed by the electric light and power industry for the week ended April 26, 1952, was estimated at 7,140,000,000 kwh. (preliminary figure) according to the Edison Electric Institute.

The current total was 35,745,000 kwh. above that of the preceding week when actual output amounted to 7,104,255,000 kwh. It was 466,495,000 kwh., or 6.9% above the total output for the week ended April 28, 1951, and 1,237,832,000 kwh. in excess of the output reported for the corresponding period two years ago.

U. S. Auto Output Advanced Further the Past Week

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," rose to 98,816 units, compared with the previous week's total of 96,284 (revised) units, and 119,347 units in the like week a year ago.

Passenger car production in the United States advanced last week about 3% above the previous week's figure, setting a new high for the year.

Total output for the current week was made up of 98,816 cars and 26,983 trucks built in the United States, against 96,284 cars and 25,757 trucks (revised) last week and 119,347 cars and 34,239 trucks in the comparable period a year ago.

Canadian output last week advanced to 6,690 cars and 3,280 trucks, against 6,692 cars and 3,160 trucks in the preceding week and 6,631 cars and 2,523 trucks in the similar period of a year ago.

Business Failures Turn Moderately Lower

Commercial and industrial failures decreased to 168 in the week ended April 24 from 188 in the preceding week, Dun & Bradstreet, Inc., states. While casualties remained above the comparable 1951 total of 162, they were down moderately from the 186 which occurred in 1950 and off 48% from the prewar level of 326 in 1939.

Failures involving liabilities of $5,000 or more dipped to 127 from 152 last week, but continued slightly above the 125 for this size group a year ago. An increase, on the other hand, took place among small casualties, those with liabilities under $5,000; they rose to 41 from 36 and exceeded their total of 37 in the similar week of 1951.

All industry and trade groups except commercial service had a decline in failures during the week. Contrary to this decline, commercial service casualties climbed to 19 from 8 in the previous week. Mortality in this line and in manufacturing was heavier than a year ago and both construction and wholesaling held steady with the 1951 level, while the only decline from last year appeared in retail trade.

Six of the nine major geographic regions reported weekly decreases in casualties. The major portion of the week's decline centered in the Pacific States. In the Middle Atlantic and East North Central States failures rose. More businesses failed than last year in the New England, Middle Atlantic and Mountain States. While no change took place in the West South Central States, the five other regions had lower mortality than in 1951, with a marked decline in the East North Central States.

Wholesale Food Price Index Declines Sharply in Week

Food prices in primary wholesale markets resumed their downward course last week following the steadying movement of a week ago. This was reflected in a drop of 6 cents in the Dun & Bradstreet wholesale food price index, bringing the April 22 figure

to $6.31, a new low since July 11, 1950, when it stood at $6.28. The current level represents a decline of 5.0% from $6.64 at the beginning of this year, and is 11.9% below the $7.16 of a year ago at this time.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Hits New Low for Year

The decline in the general commodity price level was somewhat accelerated last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., dropped from 300.61 on April 15 to 297.61 on April 21, a new low for the year, and closed at 297.69 on April 22. The latest figure compares with 322.93 at this time a year ago, or a decrease of 7.8%.

Grain prices moved generally lower the past week. There was considerable liquidation and selling in all markets largely influenced by favorabe weather and crop news, weakness in outside markets, and reports of progress in ceasefire negotiations in Korea. Wheat fallied slightly early in the week on stepped-up flour business, but failed to hold the gains. Export trade in wheat continued slow although clearances reached about 10,000,000 bushels, bringing the total for the season up to approximately 373,000,000 bushels. Liquidation in corn futures was heavy. Limited eastern shipping demand and the continued unfavorable hog-corn feeding ratio were depressing influences in that grain. Oats declined along with other grains under pressure of further imports of Canadian oats.

Activity on the Chicago Board of Trade increased sharply last week as the result of liquidation in various grains. Average daily purchases of all grain futures totaled about 40,000,000 bushels, comparing with 24,000,000 the previous week, and 25,000,000 in the same week a year ago.

Business in the domestic flour market picked up last week as some leading chain bakers booked substantial quantities of hard Winter wheat types against May and June needs. Activity in Spring wheat flours was fair while other flours met with very limited demand. Export inquiry for flour was very quiet. Trading in cocoa was quite active with spot prices nominally maintained at the ceiling level of 38⅝ cents a pound. Warehouse stocks, totaling 93,868 bags, were down from 97,841 a week ago, and compared with 123,491 a year ago.

The domestic and world sugar markets developed a firmer tone, aided by a favorable statistical position and talk of price controls in Cuba.

Slow demand for lard and vegetable oils resulted in a further lowering of prices. Hog values finished somewhat higher aided by a more active and stronger pork market.

Spot cotton prices moved steadily downward last week, largely reflecting continued slowness in textiles and weakness in securities and other markets. Inquiries were fewer and demand was more selective with mills confining their buying to cover nearby needs. Mill consumption of cotton continued at a lower rate and there were reports of further actual and pending curtailment in operations. Daily average mill consumption, according to the Bureau of the Census, fell to 36,800 bales during March, compared with 39,100 bales per day during February, and 45,200 bales during March a year ago.

Trade Volume Held Unchanged From Level of a Week Ago

Despite mild weather and many attractive promotions, retail trade in the period ended on Wednesday of last week held at about the level of the prior week, according to Dun & Bradstreet, Inc. Floods in the Midwest and uncertainty on the labor front adversely affected the receipts of many retail merchants.

There was a continued narrowing of the year-to-year gain in retail trade which has prevailed in recent weeks. Most shoppers remained quite bargain-conscious.

Total retail sales volume in the nation for the period noted was estimated by Dun & Bradstreet to be from 1% below to 3% above the level of a year ago. Regional estimates varied from the comparable 1951 levels by the following percentages: New England and Northwest —2 to +2; East 0 to —4; South and Southwest +3 to +7; Midwest —1 to —5, and Pacific Coast +2 to +6.

The usual post-Easter lull in the demand for apparel was alleviated slightly last week by many reduced price promotions of seasonal goods. The most noticeable current rises were in the purchasing of shoes, haberdashery and budget dresses. Retailers sold about as much apparel as during the similar week a year earlier. Rising temperatures in some sections lifted the sales of sportwear.

Trading activity in many wholesale markets in the period ended on Wednesday of last week recovered perceptibly from the holiday-reduced level of the prior week. However, the total dollar volume of wholesale orders was not quite as high as during the similar 1951 week. Merchants turned their attention increasingly to promotional goods for the coming Summer season.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended April 19, 1952, declined 1% from the like period of last year. In the preceding week an increase of 11% was registered above the like period a year ago. For the four weeks ended April 19, 1952, sales advanced 7%. For the period Jan. 1 to April 19, 1952, department store sales registered a decline of 7% below the like period of the preceding year.

Retail trade in New York the past week dropped about 7% below the level of the dollar volume for the comparable period a year ago. The new 3% sales tax which went into effect on May 1, 1951, spurred purchases of high-value items in the week prior to its imposition.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended April 19, 1952, decreased 4% below the like period of last year. In the preceding week no change was recorded from that of the similar week of 1951, while for the four weeks ended April 19, 1952, an increase of 2% was registered above the level of a year ago. For the period Jan. 1 to April 19, 1952, volume declined 11% under the like period of the preceding year.

Continued from page 2

The Security I Like Best

kets have approached the vanishing point, yet today the company has grown to be the second largest in the entire chemical field and probably the world's leading factor in high temperature metallurgy. I know of no company that has done as well in pioneering a stream of new products and developing them for worldwide markets as has Union Carbide.

To my mind, the various divisions have to their credit more "firsts" than any company I can think of. Besides being the first in the United States to make carbon and graphite electrodes and acetylene gas, they were the first to utilize the liquid air developments of Europe, giving us the so-called compress industrial gas industry. Leadership in this field has always been retained, and Carbide's Linde division is today the greatest factor in oxygen, acetylene and other gaseous tools of industry and medicine. By the time the arc lamps became obsolete, the company had converted its knowledge of electrodes into making itself the first and greatest producer of dry cells in the country. For a time there was at least one dry cell in every telephone and automobile in the United States and so "Eveready" was well prepared when the great era of radio arrived. Its batteries are today being used throughout the world and form the very foundation of the portable radio. This experience in carbon manufacture makes it the leading manufacturer of gigantic electrodes invisibly consumed by the ton in almost all branches of electrometallurgy and electrochemistry.

It was Union Carbide who first had the foresight to see the possibilities in the $2 billion petrochemistry market. Way back in 1920 this company used natural gas and cracked petroleum as building blocks to create new products which at that time had no use whatsoever. However, by promoting the use of these new low-cost chemical creations, Carbide sparked a host of new industries. For example, Carbide's "Prestone," the first permanent anti-freeze, was the first of a type which now dominates the market. Its abundant and cheap acetic acid gave a great impetus to acetate rayon manufacture. The interminable procession of new products streaming from these low-cost raw materials has now reached 350. The company was the first to locate itself adjacent to the large oil refineries in Indiana and Texas in order to be in a good position to absorb the almost worthless by-products which the oil companies were merely using for fuel. Here Carbide perfected the separation of propane and butane gases which were the genesis of the L. P. gas industry and its Pyrofax was the first bottled gas offered to the householder.

The most recent evidence of Carbide's genius in the technological field has been its expansion in plastics. The company acquired Bakelite as early as 1939 and now is undoubtedly the country's leader in this most promising branch of chemistry, and through this division Carbide makes more plastic raw materials and more kinds of plastics than any other company.

A number of other U. S. "firsts" can be credited to Carbide. For instance, Columbium bearing stainless steels, synthetic sapphires, commercial synthetic pyrethrum, vinylite plastigels, and the processes of flame conditioning of steel and jet piercing of rock. Many of these are too technical to be understood by average investors, but to the engineer they are very significant.

While petrochemistry has been the "glamour girl" of the chemical industry, and now that almost every other chemical company in the country has gone into it, Carbide is ready to make a step beyond. Just as the rising cost of natural gas and petroleum begins to threaten the profits in this industry, we find Union Carbide putting over $10,000,000 into a plant to use coal as the raw material for a new supply of many other new low-cost chemicals. The methods of distilling coal and manufacturing coke have changed little in 25 years. While it is true chemicals have been produced in these operations in a rather crude and old-fashioned way, Carbide has been experimenting with modern techniques and seemingly is about to open the door on a proliferation of low-cost carbon chemicals known as the "aromatics." The high cost of many of these has been holding up the economic development of artificial fibers, plastics, detergents and medicinals.

In anticipation of a growing need for low-cost power and heat the company has in recent years acquired a large acreage of stripping coal lands in Ohio on the edge of which a $100,000,000 alloy plant has been located, and Carbide again seems to be ready to do some brilliant pioneering in cost reduction in alloys for the benefit of the public and its stockholders.

To my mind, Union Carbide represents the acme of applied science, at least in the fields of chemical and metallurgical engineering. The persistent ability shown to overcome obsolescence and this impressive record of "firsts" proves to me that this company not only keeps itself abreast of constant technological changes, but is a leader in applying them commercially. This record of aggressive leadership impresses me more than the arrays of statistics of a company's past which are conventionally used to prove up a good investment. In spite of the fact that the company keeps itself in the vanguard of engineering progress, its directors have always financed this progress conservatively and at the same time reimbursed the stockholders generously and steadily. Most companies seem to fall down in one of these three essentials to a satisfactory investment. Unlike certain other technologically progressive companies, Carbide has not overreached itself to the point where its finances could not keep up with its research, thus putting dividends in jeopardy in the event of a depression. For that reason I think this stock makes a perfect long-pull investment for those whose objective is to place their funds so that they can safely participate in the future growth of science.

Canadian Fund Stock At $12.75 per Share

Kidder, Peabody & Co. and Dominick & Dominick headed a nationwide group of 101 underwriters which offered yesterday, April 30, an initial issue of 900,000 shares of $1 par value capital stock of Canadian Fund, Inc., a new investment company organized to provide a medium for diversified investment in Canada. The price per share is $12.75 for sales in single transactions involving less than $25,000. The price per share for sales in transactions involving $25,000 or more is less than $12.75 per share.

Canadian Fund, incorporated in Maryland on March 5, 1952, is a diversified investment company presently of the closed-end type. It will become an open-end investment company after completion of this offering.

The fund has already applied to the Securities & Exchange Commission for an exemption order permitting it to convert from a closed-end to an open-end type investment company without the vote of a majority of its outstanding voting securities. The fund also filed a registration statement on April 16 covering 1,700,000 shares of its $1 par value capital stock.

Upon becoming an open-end investment company, the investments of Canadian Fund, Inc., will be under the supervision of Calvin Bullock, established in 1894, the oldest firm in North America now specializing in investment company management. Other investment companies under Calvin Bullock management are: Canadian Investment Fund, Ltd.; Bullock Fund, Ltd.; Carriers & General Corp.; Dividend Shares, Inc., and Nationwide Securities Co., Inc.

Southwest Natural Gas Stock Offered

W. E. Hutton & Co. and Craigmyle, Pinney & Co. jointly headed an investment group which offered for public sale yesterday (April 30) 500,000 shares of Southwest Natural Gas Co. common stock (par 10 cents) at $7 per share.

Of the 500,000 shares being offered, 330,000 are being purchased from the company, and 170,000 are issued and outstanding and are being purchased from certain selling stockholders. The company intends to advance approximately 75% of the proceeds from the sale of the 330,000 shares to its wholly-owned subsidiary, Southwest Natural Production Co., for the acquisition of additional leases and the drilling of additional wells, and to use the balance of the proceeds for drilling additional wells on its own leases and for working capital and general corporate purposes.

Bankers Offer Rainbow Oil Stock at $7½ a Sh.

A total of 350,000 shares of capital stock of Rainbow Oil Limited is being sold publicly today (May 1). Hayden, Stone & Co. and T. H. Jones & Co. head an investment group which is offering 323,000 of the shares in the United States at a price of $7.50 per share. The remaining 27,000 shares are being offered by a group of Canadian underwriters.

Part of the proceeds will be used to retire bank notes aggregating approximately $450,000 which had previously been issued for acquisition and development of oil lands. The balance will be added to general funds and be available for development of the company's Alberta properties, the acquisition and development of other properties and the acquisition of oil and gas rights in unproven acreage through a lease-hold syndicate.

With Courts Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Barham D. Banks, Jr., is with Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

J. F. Reilly Wire to Wright in Philadelphia

J. F. Reilly & Co., Inc., 61 Broadway, New York City, announce that their direct private wire to Philadelphia is now with Arthur L. Wright & Co. Inc.

Mutual Funds

By ROBERT R. RICH

Exchange Members to Tighten Sales Requirements

Leading Stock Exchange firms with large fund retailing departments are seeking ways to tighten training requirements for mutual funds salesmen. Exploratory talks are planned with the National Association of Securities Dealers in order to secure its cooperation, so that the requirements will be standard for non-member firms. Stock Exchange firms, for their part, will press for a stricter examination for mutual funds salesmen.

If present plans are successful, strict and standardized examinations for all mutual funds salesmen following exhaustive training program, will be the rule. Objective is to create an impenetrable barrier against the few individuals trying to subvert the selling of mutual funds into an "easy money" game for themselves.

American Business Shares to Merge

American Business Shares and Union Trusteed Funds applied to the Securities & Exchange Commission for an exemption order permitting the transfer or sale of Union assets to American Business Shares in exchange for the latter's capital stock at net asset value plus a small amount of cash, both to be given to Union's shareholders. Deadline for requested hearings was April 28.

Union now has five authorized classes of capital stock with total net assets on March 28 of $3,322,000. There has been no offering to the general public of Union's shares in recent years, when redemptions have been principally responsible for the gradual decline in its assets. Total net assets of American Business Shares were nearly $34 million on Dec. 31, 1951.

New Sales Guides for Fund Retailers

Wellington Fund released this week two new and substantial sales aids for mutual fund retailers. The first, written by A. J. Wilkins, is a 24-page short course in selling techniques, entitled, "Guide for Selling Wellington Fund Shares." The analysis of selling techniques is said to be so thorough and detailed that it has application to the whole broad field of selling. How to get prospects, use literature and direct mail are generously treated at the common sense level.

The second booklet is a 12-page visual "Sales Aid Brochure," to supplement a retailer's direct selling during an interview. Both are available without obligation from Wellington Fund, 1420 Walnut Street, Philadelphia 2, Pa.

The Case Against Mutual Funds

A. W. Benkert & Co., 70 Pine Street, New York City, is believed to be the first securities firm to prepare a "written case" against mutual funds. The house, in a four-paged, single-spaced printed memorandum said, "From discussions with owners of mutual shares we have found that almost none knows just what he owns. In the great majority of instances, funds were transferred to specific issues when the facts were known."

The memorandum, entitled, "Debunking the Open-End Mutual Fund," said diversification was a fallacy because "individual oil stocks far outstripped investment trust shares." Some of the best-known and most ably managed closed and open-end investment companies were included in various statistical comparisons.

The firm, which has 45 salesmen, would not say how extensive distribution of the memorandum has been so far.

Retailer Mails Successfully to Theater List

A New York mutual fund retailer is now following up a successful test mailing to a list of "theater patrons." Most addresses in the list of 33,000 names are in the metropolitan New York and surrounding areas. The list includes regular theatergoers who have attended productions like "Gigi," "The Moon is Blue," and the "Cleopatras" with Olivier and Leigh. Currently, new names are being added at the rate of two to three thousand weekly.

OPEN-END INVESTMENT COMPANY STATISTICS

For the period ending March 31, 1952

103 Open-End Funds
(000's omitted)

Total Net Assets

	Mar. 31,'52	Dec. 31,'51	Mar. 31,'51
45 Common Stock Funds	$1,716,170	$1,591,515	$1,302,271
32 Balanced Funds	1,016,644	942,087	781,960
26 Bond & Specialty Funds	625,762	596,027	579,524
103 Total	$3,357,576	$3,129,629	$2,663,755

Sales

	1st Qtr. 1952	4th Qtr. 1951	1st Qtr. 1951	Full Yr. 1951
45 Common Stock Funds	$91,551	$104,327	$75,642	$320,615
32 Balanced Funds	68,943	60,203	57,637	223,436
26 Bond & Specialty Funds	37,740	29,509	44,417	130,559
103 Total	$198,234	$194,039	$177,696	$674,610

Repurchases

	1st Qtr. 1952	4th Qtr. 1951	1st Qtr. 1951	Full Yr. 1951
45 Common Stock Funds	$20,155	$30,589	$36,090	$138,121
32 Balanced Funds	11,143	11,667	15,075	55,368
26 Bond & Specialty Funds	17,497	19,894	53,304	128,061
103 Total	$48,795	$62,150	$104,469	$321,550

Net Sales

	1st Qtr. 1952	4th Qtr. 1951	1st Qtr. 1951	Full Yr. 1951
45 Common Stock Funds	$71,396	$73,738	$39,552	$182,494
32 Balanced Funds	57,800	48,536	42,562	168,068
26 Bond & Specialty Funds	20,243	9,615	—8,887	2,498
103 Total	$149,439	$131,889	$73,227	$353,060

Source: National Association of Investment Companies

INVESTMENT COMPANY DIVIDEND ANNOUNCEMENTS

All listings are quarterly payments from net investment income unless otherwise noted.

Fund—	Div. Per Share	Approx. Bid Price	When Payable	Holders Of Record
American Business Shares	4c	$3.98	5-20	5- 2
Canadian International Investment Trust Limited, 5% preferred*	$1.25*	----	6- 2	5-15
Dominion Scottish Investm't Ltd.—				
Common (initial)	65c*	----	5-30	5-22
5% preference	62½c*	----	5-30	5-22
Investment Foundation, Ltd.—				
6% convertible preferred (quar.)	75c	----	7-15	6-16
Knickerbocker Fund—				
Beneficial interest series	10c	6.05	5-20	4-30
Mutual Shares Corp.	$1.50	13.45	12-30	12-29
National Securities & Research—				
Balanced series	10c	----	5-15	4-30
Preferred stock series	16c	7.54	5-15	4-30
Stock series	8c	5.56	5-15	4-30
Selected group series	5c	4.95	5-15	4-30

*Payable in Canadian funds; tax deductions at the source. Non-resident tax 15%; resident tax 7%.

Mutual Fund Notes

RESOURCES OF CANADA Investment Fund, Ltd., has filed an application with the Securities & Exchange Commission permitting it to register as an investment company under the Investment Company Act of 1940.

The fund was organized in Canada in March, 1950, in order to invest primarily in the securities of Canadian issuers.

For the SEC to issue such an order, it must find that it is both legally and practically feasible to enforce the provisions of the Investment Company Act against such a company and that the issuance of the order is also consistent with the public interest and the protection of investors.

A hearing for the purpose of taking evidence is scheduled for May 1, 1952.

Resources of Canada Fund proposes to enter into an investment advisory contract with Savard, Hodgson & Company and an underwriting contract with Recan Securities Distributors, Ltd., both Canadian corporations.

The fund also plans to appoint a reputable underwriter to serve as exclusive agent of the principal underwriter on shares offered for sale in the United States.

It is expected that the Bank of Montreal and Bank of Montreal Trust Company will be appointed as co-custodians of the securities and cash under an agreement which will provide among other things, that assets have a cash value at least equal to the net asset value of shares held by persons resident in the United States.

Bank of Montreal Trust may be appointed as agent for the service of any subpoena or other process directed against the fund, its investment adviser, principal underwriter and J. Ernest Savard, Vice-President.

THE CHICAGO "Herald-American" began a new daily series, the "ABC of Finance for Women," on its financial page this week, according to the newspaper trade magazine, "Editor & Publisher."

Conceived by Hal Thompson, "Herald-American" financial editor, and written by Helga Dahl, woman writer who formerly headed the paper's Investor Service Department, the daily column will attempt to supply answers to questions concerning the stock market. The column will endeavor to sweep aside some of the "mystery" that surrounds the world of finance, it is reported.

A COMPARISON of top selections of common stocks by common trust funds of banks and trust companies with top selections of mutual funds reveals Union Carbide and Carbon as most popular among the trust funds and General Electric among mutual funds. The favorite 50 in the common trust funds include 26 not held in the mutual funds' first 50, "Trusts and Estates" magazine declares.

Changes in common trust fund portfolios during the past year were most apparent in the field of gas and oil and in the financial group. Evidence of widespread

Schedule of Broadcasts On Mutual Funds

The following programs will originate on Station WOR from 10:15 - 10:30 a.m. on the date indicated:

May 4: Hugh Bullock, President of Calvin Bullock, "Collective Investing."

May 11: George Putnam, Partner of Putnam Management Co., "The Prudent Man and The Prudent Institution."

May 18: Henry J. Simonson, Jr., Chairman of National Securities & Research Corp., "The Business Outlook."

May 25: Herbert R. Anderson, President of Distributors Group, Inc., "When Are Common Stocks Too High?"

June 1: Merrill Griswold, Chairman of Board of Trustees, Massachusetts Investors Trust, "Investing Your Money."

June 8: Fred E. Brown, Jr., Vice-President of the Union Service Corporation Group of Investment Companies, "Choosing Your Investments."

Other Guests: E. W. Axe, E. W. Axe & Co.; Edward Johnson, II, Fidelity Management & Research Co.; James H. Orr, Colonial Management Association; S. L. Sholley, The Keystone Co. of Boston.

independent judgment was revealed in the fact that 30 stocks were held by only three funds each, 60 by two funds and 161 stocks appeared in only one fund. Fifty new common stocks showed up in the combined portfolios, most of them being added by just one fund and none of them by more than two.

RETAIL PRICES paid for cost-of-living items declined by 0.3% over the month ending March 15. Robert R. Behlow of the Bureau of Labor Statistics said that this is the second consecutive month that prices have registered a decline.

Although the March 15 level of 182.4% of the 1935-39 average is 1.0% below the all-time high recorded in December of last year, retail prices are now 1.1% above a year ago and 9.2% higher than in June, 1950.

PERSONAL PROGRESS

ELECTION OF Frederic C. Coltrin, Robert G. Frank, Richard M. Groves and Forest G. Thorne as Resident Vice-Presidents of Hugh W. Long and Company was announced Wednesday by Hugh W. Long, President.

Mr. Coltrin has been with the Long organization since 1948; his headquarters are in San Francisco. Mr. Frank who has been with the company since 1947 makes his headquarters in Los Angeles.

Mr. Groves whose office is in Atlanta has been associated with the Long Company since 1949. Mr. Thorne has been connected with the organization since 1947 and has his headquarters in Chicago.

NEW PROSPECTUSES

CHEMICAL FUND'S prospectus of April 4, 1951, was revised on April 25, 1952. Write 39 Broadway, New York 6, N. Y.

DODGE & COX'S latest prospectus is dated April 16, 1952. Available from Mills Tower, San Francisco, Calif.

FUNDAMENTAL INVESTORS has prepared a new prospectus for dealers, dated April 16, 1952. Available from 48 Wall Street, New York 5, N. Y.

HAMILTON FUNDS, Inc., newest prospectus has an effective date of March 14, 1952. Prospectus of **Hamilton Fund Periodic Investment Plan** was also released on that date. Available from Hamilton Management Corporation, Box 4210, Denver 9, Colo.

PINE STREET FUND'S prospectus of Feb. 27, 1951, was amended on March 27, 1952. Obtainable from 20 Pine Street, New York 5, N. Y.

SEC REGISTRATIONS

CANADIAN FUND, a New York investment company "organized to provide a medium for diversified investment in Canada," on April 16 filed a registration statement with the Securities and Exchange Commission covering 1,700,000 shares of its $1 par value stock.

HUDSON FUND on April 17 filed a registration statement covering 200,000 shares of capital stock to be offered through Hudson Fund distributors.

MUTUAL INVESTMENT FUND on April 21 filed with the SEC on $1,200,000 period payment plan certificates (DM); $3,000,000 period payment plan certificates (DMN), and $600,000 single payment plan certificates (DMP). Mutual Management Company, New York, is manager of the fund.

NATION-WIDE SECURITIES on April 21 filed with the SEC covering 200,000 shares of capital stock. Calvin Bullock is distributor.

TEMPLETON & LIDDELL Fund on April 17 filed a registration statement with the SEC covering 20,000 shares of common capital stock.

CLOSED-END INVESTMENT COMPANY STATISTICS
For the quarter ending March 31, 1952

Investment Company—	Market Price Mar. 31	Approximate Net Assets Per Share	Disct. or Premium	Dividend Latest Fiscal Year	First Quarter Price Range
Non-Leverage, General Portfolio Type:					
Adams Express	33½	$42.03	—20.3%	b $1.59	35⅜-30⅞
American International	22	27.76	—20.7	c 1.03	22½-20⅛
Boston Personal Property Trust	26⅛	31.91	—18.1	1.40	28 -25
Connecticut Inv. Mgt. Corp.	a 4⅛	5.62	—26.6	d 0.27	Unlisted
Consolidated Investment Trust	a 29⅞	31.55	— 5.3	1.50	Unlisted
Insuranshares Certificates	a 13¼	g 14.88	—11.0	0.32	13½-11¼
Lehman Corporation	79	73.74	+ 7.1	e 2.26	80¼-70¾
National Shares Corp.	33	37.81	—12.7	f 1.15	33 -30¼
Niagara Share "B"	16⅝	h 25.44	—34.7	0.64	18⅝-16
Shawmut Association	19⅜	30.08	—35.6	0.87	20 -17¼
Tobacco & Allied Stocks	a 92¼	141.93	—35.0	2.75	93 -88
Non-Leverage, Specialized Portfolio Type:					
National Aviation	20⅞	22.72	— 8.1	j 0.87	22⅞-20⅜
Petroleum Corporation	22⅞	27.25	—16.1	k 1.15	23¾-20⅛
Conservative Leverage Type:					
American European	31⅝	36.34	—13	m 1.11	32 -29¾
Carriers & General	a 12⅛	15.76	—23.1	1.00	12½-10⅞
First York Corp.	a 3 5/16	4.01	—17.4	0.25	3½- 3
General American Investors (y)	28⅞	27.90	+ 3.5	n 0.70	29 -26⅛
Overseas Securities	a 19⅞	16.02	+24.1	o 0.63	20⅝-17¼
Railway & Light Securities	20	24.29	—17.7	p 1.05	20¾-19⅛
Medium Leverage Type:					
Capital Administration A	23⅞	q-r 38.05	—37.3	1.35	24¼-21½
Equity Corporation	1¾	3.09	—43.4	0.15	1⅞- 1⅝
General Public Service	3½	4.59	—22.6	s 0.15	3¾- 3⅜
U. S. & Foreign Securities	72	93.97	—23.4	t 1.92	72¼-54½
High Leverage Type:					
Capital Administration B	a 4⅜	u 4.62	— 5.3	0.35	Unlisted
Central-Illinois Securities	4⅛	5.17	—20.2	None	4⅛- 3½
North American Investing	a 10⅜	13.00	—20.2	None	13¼-10¼
Pacific-American Inv.	a 5½	6.47	—15.0	w 0.26	Unlisted
Tri-Continental Corp. (x)	15	v 23.98	—37.4	0.95	15½-13½
U. S. & International Securities	9½	12.60	—24.6	None	9⅝- 7¼
Options:					
American Superpower	1	----	----	----	1¼- ⅞
Tri-Continental Warrants	4½	----	----	----	4⅜- 3¾

—— FOOTNOTES: ——

a Mean between bid and asked prices.

b-f Plus following amounts paid from realized capital gains: b 54 cents; c 81 cents; d 13 cents; e $3.58; f $1.64.

g After deducting $1.90 a share for unrealized appreciation taxes.

h After deducting $1.34 a share for unrealized appreciation taxes.

j Plus $1.53 paid from realized capital gains.

k Plus 50 cents paid from realized capital gains.

m-p Plus the following amounts paid from realized capital gains: m $1.72; n $2.18; o $4.12; p 85 cents.

q After deducting $4.98 a share reserve for taxes on unrealized appreciation.

r Entitled in liquidation to $20 per share in preference to class B stock and thereafter, as a class, to 70% of remaining assets.

s Plus 15 cents paid from realized capital gains.

t Plus $2.58 paid from realized capital gains.

u After deducting $1.27 a share reserve for taxes on unrealized appreciation.

v After deducting $3.43 a share reserve for taxes on unrealized appreciation.

w Plus 59 cents paid from realized capital gains.

x Each perpetual warrant entitles holder to purchase 1.27 shares Tri-Continental common at $17.76 a share.

y Leverage of preferred stock offset by holdings of government securities.

Source: National Association of Investment Companies.

Railroad Securities

Favorable Outlook for Rail Securities

In the last couple of weeks the railroads have definitely assumed command of the stock market. Uncertainties in the overall economic picture, aggravated by uneasiness over the implications of government seizure of the steel industry, have resulted in recurring sinking spells in the general market. As a whole, rails have shown strong resistance to such selling pressure, and consistently it has been strength in the rails that has stemmed the declines. In the opinion of many rail analysts this is only logical, and as it should be. There are a number of factors that appear to support a considerable degree of optimism toward the group.

So far earnings comparisons with a year earlier have been almost universally quite satisfactory. This is in sharp contrast to the performance of many companies in the industrial section of the list. Traffic has continued to register declines compared with a year ago, but, nevertheless, it is expected that earnings will continue to hold well over the visible future. April results will benefit at least modestly from the cent-an-hour reduction in wages, and in May the new increase in freight rates will make itself felt. With the start that has been made it seems likely that the railroads will be one of the few groups reporting higher earnings in 1952 than in 1951. Also, this is one of the few groups where dividend disbursements may be more liberal this year than last. At least it seems extremely unlikely that there will be any important dividend reductions or omissions such as may adversely affect sentiment toward some other industries. With this background, rails may well continue to outperform the market in the opinion of many analysts and market students.

There have been some wide fluctuations in individual securities in the past couple of weeks. The spectacular **Northern Pacific** stock, now considered an oil rather than a railroad, came in for more than its share of selling. At one time it was off more than 20 points from the year's top, mainly reflecting a statement from one top oil company official as to the heavy expense of developing the Williston Basin. **Missouri Pacific** old preferred, traditionally a widely fluctuating equity, reacted to announcement that the Supreme Court had refused to review any of the many appeals from lower court rulings upholding the ICC reorganization plan.

Illinois Central common has also jumped around considerably. When proxy statements for the annual meeting were sent out it was revealed that the management proposed to change the common stock set-up by increasing the authorized number of shares substantially and by changing the stock from $100 par to no-par. The purported objective was to allow future refunding and/or financing of capital improvements through convertible bonds or directly through sale of stock. Fears that such a program would appreciably dilute the equity and might well militate against any near-term increase in the dividend rate caused a fairly sharp break in the stock. When it was subsequently reported that the proposal to change the par value would be dropped there was a correspondingly sharp price recovery. The stock late last week moved forward into new high ground for the year.

One of the notable exceptions to the generally favorable trend of railroad earnings in March was **New York Central**. For the month Central reported a net loss of over $2½ million in contrast to a net profit of $1.4 million a year earlier. As a result, there was a loss of $1,364,000 for the quarter. Even at that, the results for the full period compared favorably with the deficit of close to $8 million sustained in the opening 1951 quarter. The poor March, 1952 showing was due to the short strike in that month by the road's employees which, it is believed, probably cost Central approximately $5 million. With no repetition of this trouble the comparisons from here on are expected to be considerably more favorable and in line with industry experience generally.

Hooker & Fay Add

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—W. C. Snyder, Jr. has been added to the Staff of Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges.

Continued from page 4

Natural Gas Transmission Industry

the industry's rate of growth be stalled or slowed? Actually, if the average field price now being paid by a representative group of transmission companies were to double and if such increase were passed on to the ultimate consumer, it can be demonstrated that the price effect to the consumer would be relatively small. In fact, if we apply this assumption to the same eight cities used in the comparisons just mentioned, the result would be that the average cost of natural gas for heating purposes would still be slightly less than coal and about 15% less than oil. A similar calculation based on the assumption that the distribution companies in each of these cities are required to absorb a 25% increase in the rates paid to transmission companies shows that the effect on price to the consumer would be even less than in the first assumption. Obviously, the reason for the relatively small effect on price to the ultimate consumer is the fact that the cost of natural gas in the field and the cost of natural gas delivered by the transmission companies to the distribution companies is only one element in the price to the consumer, the others being the expenses of transmission, distribution expenses, general and administrative expenses, taxes, depreciation, interest on borrowed capital, et cetra. It is true that the competitive position of natural gas is much stronger in some areas than in others, but even in those cities where there is the least leeway, it is hard to show that natural gas is in jeopardy of losing its strong demand.

At this point it may be interesting to have a look at how far the industry has come since the end of World War II and where it stands today. A few comparisons with the electric industry will serve as illustrations. The country's natural gas utilities now have about 16 million customers, of which over 90% are in the residential category. This represents a gain of 72% over 1946. Thus the natural gas industry now has almost half as many customers as the electric industry which has shown a customer increase of 27% since 1946. The increase in dollar revenues from natural gas customers has been 132% for the natural gas industry as compared with 60% for the electric industry. It is also noteworthy that the average revenue per residential natural gas customer last year was about $62.50 compared with an average revenue per residential electric customer of about $55. Although natural gas has fewer different types of applications in the home than is true in the electric field, the growing number of customers who heat their homes with natural gas has had an important influence on the figures just cited. There is no intention here to cast the electric industry in an unfavorable light in making these comparisons. On the contrary, the excellent record of the electric companies gives real significance to the comparisons.

Future Rate of Growth

Probably the natural gas industry can hardly be expected to show the same rate of growth over the next five years. The period we have just reviewed is one in which natural gas has been brought to large consuming areas which did not have the benefit of natural gas before. Many areas during these years have been converted from manufactured gas to straight natural gas. However, it seems reasonable to predict that when we compare the progress of the natural gas industry during the next five years with that of the electric industry, we will find that natural gas will have shown a substantially greater increase in customers and in revenues. It will be some time before the natural gas industry settles down to a rate of growth comparable to the electric industry. The electric industry now serves practically every potential customer in the land and its growth is primarily dependent upon the increase in population and the gradual increase in our standard of living. The natural gas industry, however, has a long way to go before it can be said that every potential customer is served. That may be nearly true in some communities which have had abundant supplies of natural gas for many years but it certainly is not so in most areas.

The conclusions drawn up to this point are all quite optimistic; however the industry is certainly not without its problems. Reference was made earlier to the increasing cost of natural gas to the transmission companies. To illustrate this point, the President of one of the major transmission companies made the statement before a group of security analysts in New York in January of this year that his company's cost of gas for the 12 months ended Nov. 30, 1951 was 6.53c per Mcf. and that the price paid to different suppliers during that period varied from 4.62c to 11.90c. He estimated that the average cost of gas would increase to 8c in 1952, 10½c in 1953 and to 11c in 1954. In varying degree other pipe lines are experiencing the same trend. As many of you know, many of the gas purchase contracts which pipe lines have with their suppliers provide that if the pipe line contracts for additional supplies of gas from another supplier in the same area at prices in excess of those applicable to the contract in question, then the price of gas under the first contract must be adjusted upward to the scale established by the new contract. These provisions are called "favored nations clauses." Thus a company which must contract for additional supplies of gas, paying the higher prices which producers are now demanding, is forced, in many cases, to make upward revisions in the purchase price under earlier contracts.

Efforts to Increase Transmission Rates

Although the natural gas pipe line industry is very well insulated against excess profits taxes, the industry has seen the normal and surtax rate increase from 38% to 52% in the last several years. Moreover, other taxes have also increased. The result is that many in the industry are in the throes of trying to obtain Federal Power Commission approval for increases in rates. Recent figures indicate that applications for rate increases before the Federal Power Commission total over $100 million. Since the date of this figure some cases have been settled but others have been subsequently filed and we know of others that are about to be filed. In general, those that have come before the Commission with applications for rate increases have filed in several steps. Since the matter of rate increases is of such importance to the industry, it is well to have an understanding of the procedures involved.

The Federal Power Commission, as you all know, has jurisdiction over the rates which pipe lines are permitted to charge for that portion of their product sold for resale. All tariffs with respect to resale rates must be filed with the Commission and, in effect, approved by it before they can become effective. The usual procedure for a company filing for an increase in rates is to file the new rates with the Commission, such new rates to become effective 30 days from the date of filing. Unless the Commission suspends the rates prior to the expiration of the 30-day notice period, the new rates go into effect. However, you can count on the Commission's taking action to suspend the rates in virtually every case and order an investigation. If the rate case has not been settled within five months after the date of suspension, the higher rates may be put into effect by the applicant, but when this is done the higher rates are subject to refund retroactively to the extent that any part of the increase may ultimately be found by the Commission to be unjustified. When higher rates go into effect in this manner, the pipe line company must post a bond, the amount of which has often been fixed at 10% of the amount of the annual increase. Also, it is usually provided that any refunds are to be made with interest at 6%.

In view of the large number of applications before the Federal Power Commission, a company applying for an increase in rates can hardly expect its case to be decided within five months from the date of suspension.

On the other hand the applicant for a rate increase can count on there being no greater delay before it can begin collecting the higher rates. While this affords some element of protection, the situation is not without its complications. For example, consider the position of the distributing companies who are the customers of the pipe line. The distributing company is probably under the jurisdiction of one or more states as to its rates. As soon as the distributing company starts paying the pipe line company the higher rates, it presumably will need rate increases to offset the higher cost of gas. This is also a time-consuming process for the distributing company, and, as you can see, the state regulatory commission is placed in a difficult position because the higher rates being paid by the distributing company are subject to refund by the transmission company. The distributing company is not able to prove definitely how much the cost of purchased gas has gone up until the transmission company's case has been finally determined by the Federal Power Commission.

As a general proposition the distributing companies are not unsympathetic to the needs of their suppliers for increased rates but obviously they are usually opposed to the system whereby they must pay higher rates subject to refund. Moreover, the formidable accounting expenses entailed in effecting any refund creates a problem in itself. Sometimes the pipe line company is required to assume the cost of making these refunds straight through to the ultimate consumer if it should turn out that the distributing company passes on the higher rates to its customers subject to refund to them.

In view of all the foregoing, there are many strong incentives, not only on the part of the pipe line companies but also on the part of the distribution companies, to have the case settled before the higher rates would otherwise go into effect under bond. A few rate cases have been settled by compromise just prior to the deadline, thus avoiding some of these problems. In others, however, no settlement was reached and a number of companies are now collecting the higher rates subject to refund. It is important in analyzing these companies to note whether or not the company in question follows the policy of including the higher rates in revenues and earnings as reported. As a general rule reported earnings are appropriately footnoted.

In the few recent rate cases which have been settled or finally determined, the rate increases have in the aggregate been something less than applied for; however, a number of companies have made application in several steps so that the settlement of one case does not always result in final disposition of the matter. The Federal Power Commission has tended for a number of years to allow a 6% rate of return on depreciated rate base (plus allowance for working capital) as a so-called fair rate of return. You will recall that it was just about a year ago this time that the money market underwent a substantial change; since then the pipe line companies have been forced to pay much higher interest rates and preferred stock dividend rates in order to obtain capital for expansion. The industry argues with perfect logic that in the light of today's higher cost of money, it must be allowed a higher rate of return on its rate base in order to attract the capital necessary for its expansion. Several of the recent applications for rate increases presented to the Federal Power Commission have specifically requested a 6½% rate of return but to date the Commission has not given any formal evidence of having made any upward revision in its views as to a fair rate of return. It would seem unwise to make a guess as to how far the Commission may go in this direction. However, we probably can take the practical point of view that so long as the natural gas transmission industry is in an expanding trend, and this seems assured for many years ahead, the Commission will have to allow what is necessary for the companies to attract capital for expansion. As yet the industry can't be forced to expand if it is not profitable to do so. If the effect of rate regulation should be so stringent as to stifle expansion, the wrath of consumers who want natural gas service will certainly be incurred. The political significance of this factor is something to be reckoned with.

A short time ago the American Petroleum Institute and the American Gas Association presented the annual reports of their respective Reserves Committees for the year 1951. These reports gave the total proved reserves of natural gas at the end of last year at almost 194 trillion cubic feet. Although production during 1951 was at a record level of just about 8 trillion cubic feet, additions to reserves during the year were just about equal to twice this level of production. The ratio of total proved reserves to the 1951 production level was thus about 24:1, indicating a theoretical 24-year supply of natural gas at the 1951 rate of production. The corresponding ratio for crude oil indicates a theoretical supply of about 13½ years. These figures do not mean that if we keep on producing natural gas at the 1951 rate we will be all out in 1976, nor that oil reserves would similarly be exhausted in 1965. It is significant that over the last five or six years, although natural gas production has been expanding, new discoveries have also been increasing. During this period new discoveries in each year have averaged just about twice the amount produced. It is true that we can't count on natural gas lasting forever, but unquestionably it is reasonable to assume that a tremendous amount remains to be discovered and that the basis on which the natural gas transmission companies are set up with respect to sinking funds is quite conservative. Practically all of the transmission companies have sinking funds which provide for complete retirement of their debt over a period of 20 years from the date of issuance; sinking funds for preferred stock are usually designed to retire the entire issue within 30 years or less from the date of issuance. A 30-year retirement schedule for preferred stocks runs beyond the theoretical date of exhaustion of the country's natural gas reserves but the record of the industry over the years lends a great degree of confidence to the expectation that today's companies will still be in business long after that.

Question of High Debt Structure

Of course, the industry has its detractions. Some make the contention that some companies are unsoundly financed (their debt structures being too high) and that the rising trend of gas purchase costs, rate problems and other difficulties outweigh the admittedly favorable factors. The propriety of relatively high debt structure is a topic which has come up for much discussion.

Some companies are capitalized with debt ratios ranging up to 75% and common stock equity rations of 15%-20%—in fact, a good many of the lines which have come into being since the end of the war and those which have undertaken heavy expansion programs during this period have been financed on this pattern. The common yardstick applied to the electric industry is that debt should not exceed 50-60% and that common stock should be at least 25% and preferably higher. The question boils down to one of how big the equity cushion should be to provide the company with sufficient flexibility to meet its obligations during any periods of reduced earnings. The answer depends upon the extent to which the company's earnings are susceptible to decline. In this regard there are differences between companies. Speaking generally, however, almost everyone will grant that revenues from residential customers are conceded to be a more stable source of demand than that from commercial and industrial categories. In this connection it is interesting to note that figures published by the American Gas Association show that residential revenues of natural gas utility distributing companies in 1950 accounted for 56% of all revenues from sales to ultimate customers. The corresponding ratio for the electric industry is 34%. Also, it is of importance that natural gas transmission and distributing companies in general are still unable to satisfy the demands for service. It would take a very severe economic reversal to not only eliminate the unsatisfied demand but to bring about a decline in the consumption of natural gas in the residential and commercial categories. Some transmission lines are, of course, more dependent than others upon sales to industrial consumers, but usually one will find that where this is true the capitalization ratios are more conservative. The fact that large institutional investors have been willing to lend money to some pipe lines on a debt ratio as high as 75% is, perhaps, a reflection of these factors among others. These same institutions would not lend their funds on satisfactory terms to the average electric company having as high a debt ratio.

When the natural gas industry reaches a state of maturity such as that of the electric industry, then it would seem somewhat more appropriate to apply similar yardsticks to capitalization ratios. Whenever a natural gas transmission company slows down to a rate of expansion which more nearly reflects normal population growth and increase in the standard of living, the capitaliza-

tion ratios can be expected to improve rapidly because then the rate of issuance of new debt should diminish and the cash sinking fund schedules applicable to previously issued debt and preferred will very quickly reduce the debt and build up the equity ratio. Therefore, before condemning a company's securities because of what appears to be a relatively low equity ratio, it is important to pay close attention to these factors.

Continued from page 12

Treasury Ups Rates On Savings Bonds

who wishes will be entitled to exchange his old bond (if purchased on or after May 1, 1952) for a new one; but if he does not make the exchange, he will still obtain the benefits of the revised scale, and paying agents will be furnished new redemption schedules applying to the bonds issued on or after May 1, 1952.

(2) *New Current Income Bond:* The Treasury is also offering an entirely new current income savings bond to be designated Series H which will have interest paid by check semi-annually instead of having the interest accrue. This bond will be a companion to the discount E bond and will be promoted along with the E bond. This bond will be available beginning on June 1. It will be issued and redeemable at par. Interest will be paid by check semi-annually on a graduated scale of rates which has been put as close as possible to the E bond scale. It will be issued only to individuals; will have the same nine-year, eighth-month term as E bonds, and will have a similar annual purchase limit of $20,000 maturity value. Unlike E bonds, however, it must be held six months, rather than two months, before it can be redeemed and it will be redeemable only on one month's notice; it will be issued and redeemable only at Federal Reserve Banks and branches and at the Treasury, and it will be offered with a minimum denomination of $500. Administratively, it is too costly to pay interest checks semi-annually on bonds in denominations of less than $500. Because the Series H bond and the E bond are sold exclusively to individuals, and because they so closely resemble each other in interest return, the Treasury will report combined sales of Series E and Series H bonds in the same way that Series F and G sales have been reported together.

(3) *Series F and G Bonds:* The Treasury is also making significant changes and improvements in the F and G savings bond picture. These two particular series are being withdrawn effective May 1, and two new series of savings bonds to be known as Series J and Series K are being substituted for them. Series J will be a revised Series F bond, and Series K will be a revised Series G bond. The new series will differ from the old series primarily in their higher interest rate schedules. They will pay 2¾% if held 12 years to maturity, and will pay much higher intermediate yields than F and G bonds. Series J and K bonds will pay approximately 1¼% if held for one year, 1½% if held for two years, 2⅛% if held for five years, and so on. The combined annual purchase limit for Series J and K bonds has been doubled to $200,000, as compared with $100,000 for Series F and G bonds. To save administrative expense the $100 denomination that was available in the Series G bond has been dropped, but all of the Series F denominations will be continued.

Continued from page 16

Monetary Policy and Debt Mgt. In Economic Stablization

services, inflationary pressures are added to the economy. Whether inflation will actually be the result depends on what measures are taken to hold down spending elsewhere in the economy through such measures as taxes, rationing, priorities and allocations, and so on. The fact that inflationary pressures are increased at one point or from one cause does not mean that actual inflation must result. However, it is clear that bringing about an equilibirum between the demand and the supply of loanable funds by increasing the supply of loanable funds through the expansion of bank reserves is likely to add to inflationary pressure and thereby to make the problem of preventing inflation more difficult to solve.

Government Securities and the Federal Reserve

It is for these reasons, of course, that stress is placed on the desirability of avoiding the indefinite expansion of the holdings of government securities by the Federal Reserve banks. But government spending financed by selling securities to the public in exchange for idle funds also is inflationary. The hope of achieving an equilibrium between the supply of and demand for loanable funds through an increase in the supply of funds lies in the increase in real savings. To increase real savings is, of course, easier said than done.

The second method of bringing equilibrium between the supply and demand of loanable funds is to decrease the demand for such funds. One way to do this is to permit the interest rate to rise. The chief way in which permitting the interest rate to rise brings about equilibrium between the supply of and demand for loanable funds is by causing some prospective borrowers to drop out because of the increase in the cost of the loans to them. Clearly, as the cost becomes higher and higher, more and more borrowers will find the expense of borrowing too great for them to undertake.

Many persons have taken the position that the problem of the public debt is solved when the Federal Reserve System ceases to buy government securities. In fact, however, this is only the beginning of the problem. It is all very well to say that the Federal Reserve must not buy the securities, but the stubborn fact is that it is absolutely necessary that someone buy them. How is this to be done when there is a bigger demand than supply for loanable funds? Presumably, the Federal Government can, if it will, outbid other borrowers of funds who do not have the same imperative necessity to borrow, by offering high enough interest rates. Clearly, if only the interest rate is to be used to cut down the private demand for loans, the Federal Government cannot stop short of outbidding other borrowers. This might be a very serious matter, since the highest marginal rate which the Treasury would have to pay on the last dollar it borrowed would tend to set the rate pattern for the whole of the Federal debt, which as previously noted is nearly as large as all the private debt put together. Thus, the interest rate paid on this tremendous volume of debt obligations would be determined by how rapidly a rise in the rate of interest drives other borrowers out of the market or discourages lenders from loaning to the other borrowers.

The Question of Interest Rates

If this course is to be followed, it thus becomes very important to know whether the Federal Government will have to bid very high to refinance its loans and to borrow what new money it will need. I do not know how high the interest rate would need to go, but several factors may be indicated. A rise in interest rates may affect the market for loanable funds by affecting the supply and by affecting the demand. As previously indicated, only increases in the supply of funds that result from increased saving avoid being inflationary. It is not generally believed by economists that moderate increases in the rates of interest have a substantial stimulating effect on the level of saving. There are forces working in both directions that tend to offset each other.

The second effect of rising rates of interest is on the demand for loans. This is a very crucial question, since if the demand for loans is very elastic in relation to interest changes, a small rise in interest rates may suffice to restore equilibrium between the supply and demand of loanable funds, while if the demand is very inelastic, a very large rise in interest rates might be necessary to reduce demand sufficiently to bring about an equilibrium. When demand for loanable funds is decreased by an increase in the rate of interest, it is important that this decrease not be in those sectors that are vital for the promotion of the defense effort.

A Special Situation Calling for Special Measures

We cannot approach the present situation as a normal one in which only traditional economic techniques will be sufficient to meet the problems. The expansion and diversion required by the defense program, the tremendous volume of private capital formation, and the heavy anticipated Federal deficit combine to make this a special situation which may call for special measures.

It may be useful to run over briefly the different demands for loans. As previously stressed, government loans cannot be reduced at all by debt management; somehow or other, government must get the money and, unless other measures are to be used to prevent the market from being entirely "free," the government must be prepared to outbid all other borrowers. The demand for speculative loans would be very slow to drop out, because the interest cost is a very small element among the total factors determining speculative purchases. The demand for loans to carry inventories would also be very slow to decrease as interest rates rose, because again the rate of interest is a very small part of total cost, especially when the risks of the operation are considered part of the cost. The demand for loans to finance the purchase and production of machinery, tools, and equipment would be relatively slow to respond, because again interest is a small proportion of cost for items of equipment which are written off or depreciated at a relatively fast rate of speed. The demand for loans to finance industrial and commercial construction would presumably be reduced to a greater extent, since the interest rate is a relatively important factor in determining the profitability of the operation. This is true also of residential construction, since the amount of rents that home owners can pay is dependent on their wages and other income, and as interest rates rose, demand would fall off. It should be pointed out, however, that with respect to the present situation the limits on the amount of construction (industrial, commercial, and residential) have been set in recent months not by the aggregate demand of borrowers but by the supply of scarce materials. Even at higher interest rates the demand of borrowers would likely have continued sufficiently great to take up all of the available supplies of materials. It is not clear how long this will continue.

On the basis of the above analysis, there is good reason to conclude that under very possible, even probable, conditions the increase in interest rates of a moderate character would have relatively little effect in reducing the private demand for loans. Accordingly, the Federal Government would be obliged to face the prospect of outbidding private demand for loans with even higher rates of interest.

It may be urged that although an increase in the rate of interest would have relatively little effect in reducing the demands of borrowers for loanable funds, the lenders of the funds would ration their supplies in such a way that the government would receive what it required. The argument has been made that an important reason why insurance companies, for example, have been loaning money in the private market instead of to the Federal Government is that the companies have certain contracts which they must fulfill, and the rate of interest offered by the government is not enough to satisfy the needs of the companies in fulfilling these contracts. It has been argued that a small increase in the rate of interest on government securities would make them attractive to the insurance companies, which under those circumstances would be willing to buy from the government instead of loaning money in the private market. Likewise, it has been said that banks have certain earnings expectations, and that when these are satisfied, the banks will be willing to loan to the government instead of loaning the funds to private borrowers.

While it may be granted that there may be a short lag while the appetites of lenders are temporarily satisfied by an increase in the rate of interest, it is not human nature for this satiation of appetite to continue. As a matter of fact, the rates of interest which some observers said last winter would be satisfactory for insurance companies are being said now not to be satisfactory. An increase in interest stimulates the appetite instead of satisfying it. If private borrowers are willing to pay more for their loans, I can see no reason to expect that private lenders will not take advantage of the higher interest rates and force the Federal Government to keep raising its bid in order to place its securities in the hands of private holders.

The point may be made that there should be no objection to the Federal Government increasing its interest rate bids as high as may be necessary to outbid enough of the private borrowers to assure that the Federal debt will be held without inflationary consequences. Can this view be accepted?

Government Competitive Bidding In Money Market

If the interest rate necessary for the Federal Government to outbid private borrowers were a permanent equilibrium interest rate, there might be little objection to the Federal Government engaging in such competitive bidding. But this means that we would expect the country for a long time to come to be in an inflationary situation. We would expect the rate of demand for loanable funds to be so much in excess of the supply of savings that the cutting off or demand for construction and for machinery, tools, and equipment for the longer run would be desirable. There are countries where this is, indeed, the outlook, and where a rising interest rate is a recognition that capital investment must be slowed down regardless of the desirability of industrial expansion, simply because the rate of saving is too small. But this is not the outlook in the United States. This nation has a tremendous capacity for saving. It does not have the capital shortages that a war-ravaged Europe or an underdeveloped Asia, Africa, or South America may have. Already financial writers are professing to see deflationary dangers ahead after one, two, or three years. Over the longer run, in my opinion, this is a high-saving economy and a low-interest-rate economy. If this be the case, the problem is not one of seeking a long-term equilibrium rate of interest but of achieving a short-term equilibrium, which might require a high rate of interest, followed by a long-term equilibrium which would require a low rate of interest.

But why is this situation a matter of any concern? Why not have high interest rates now and low interest rates when we need them? The difficulty is that interest rates in the past have not adjusted downward with sufficient rapidity. That adjustment requires a process of re-education to a lower interest rate standard. The average yield of Aaa corporate bonds in 1932 was higher than in 1929. It took a long time after 1932 for interest rates to fall substantially, and positive action on the part of the government was involved. Do we want to educate lenders to a high interest rate only to have to go through another slow process of re-education to lower rates? Of course, the Government could engage in direct lending at such a time and thus break the interest rate structure. But most of us, I am sure, would like to minimize such activities by government. We shall be much surer of having the needed lower interest rates when they are required if they do not rise too high during the intervening period.

Another reason for avoiding high interest rates is that the continually rising interest rate which might be necessary for the government to outbid the market might result in placing actually less securities in the hands of the public than if a lower interest rate had been maintained. This might happen for two reasons. First, the declining value of government securities might cause investors to avoid investing in government securities for the future, because of the capital losses involved. In the second place, they might reason that an increase in the rate of interest would be followed by still further increases and that therefore they might as well wait until later before buying any intermediate or long-term securities. Not too much is known about the probable behavior of government security holders under various possible circumstances. It is not, however, a situation in which bold experimentation can be lightly undertaken. With about half of the total debt of the nation in the form of Federal securities, the development of a disorganized market could be a major disruptive force. The action which then might be required by the Federal Reserve to restore financial order might involve larger purchases of government securities than a flexible support program to maintain stability. It is not sufficient to say that market supports were discontinued and that the fear of security market disorganization proved to be a bogey. Support was not discontinued, and was handled with great care and skill. More-

Continued on page 38

Continued from page 37

Monetary Policy and Debt Mgt. In Economic Stablization

over, the more difficult financing problems have not yet been faced.

Cost of Servicing Public Debt

A result of higher interest rates would be, of course, that the cost of servicing the public debt would rise. No one will question the undesirability of unnecessarily increasing the tax burden on the public. On the other hand, no one will question that if the only way to maintain stability is through a higher rate of interest on the government debt, it would be far cheaper for the country to pay the higher taxes than to experience the inflation. But in view of the uncertain effects of rising interest rates and the possibility that other methods can be used to prevent inflation, it is understandable that a substantial increase in the interest rate is not to be viewed with complacency.

It should also be mentioned that much of American financial strength rests on a foundation of the values of Federal securities. The substantial declines in the values of those securities that would accompany substantial increases in interest rates might have very repressing effects on types of financial and business operations necessary for the sound functioning of the economy, especially in the defense mobilization period.

I want to make it clear that I do not defend any particular level of interest rates as being the correct level. It may be, moreover, that, under the circumstances we face, the equilibrium level will not involve much if any increase in interest rates. But for the reasons mentioned, large increases in interest rates would have undesirable effects, and it is necessary accordingly to review other possible ways of reducing the demand for loanable funds and of inducing lenders to prefer government securities to private loans.

Problem Is to Reduce Private Loans

The problem in short is one of finding ways to reduce private loans in order that the government's debt may be held without undesirable increases in the rate of interest and without an inflationary expansion of credit. There is no easy comprehensive way of achieving this result, but there are a number of different methods which, when combined, may add up to a considerable total. Allocations and cutbacks in materials available for civilian use, restrictions on commercial construction, and other methods of reducing activity operate to cut down the need for borrowing. Specific credit controls by reducing the amount loaned and speeding up repayments operate to cut down the demand for loanable funds with respect to purchases of consumer durable goods and of houses. Willingness of banks and other institutions to lend has been diminished through voluntary credit restraint programs that bring the social pressures of the whole industry to bear on its individual members. Price controls reduce the pressure to engage in speculative transactions and help to hold down the requirements for larger working capital.

In the actual management of the public debt, it should not be assumed that any one of the methods of achieving an equilibrium between the supply and demand of loanable funds must be or should be followed to the exclusion of the others. In practice, it may be found necessary and desirable to make some use of all the methods. The policy of supporting the market for government securities that seems to me best suited for the uncertain type of situation which we face is the flexible policy of the type which I understand is being followed by the Federal Reserve System. This kind of support keeps large holders from readily monetizing their holdings; it does not preclude active support of the market when this seems necessary or desirable; it helps prevent the kinds of fluctuations in government security prices that would make difficult the sale of future issues; and it should prevent seriously hurtful market confusion and economic disruption.

In closing, I would like to repeat that monetary policy and debt management are by no means all there is to the problem of economic stabilization or its solution. The inflationary problem is one of holding down total spending, not simply ~~that~~ relatively small part which is financed by increases in debt, public and private. A well-balanced stabilization program using all the other measures at the disposal of the government should go along with a monetary and debt management policy that is itself to the largest practicable extent noninflationary, despite the handicap placed upon it by that basic inflationary influence, too little revenue to match expenditures.

Continued from page 16

Simple Propositions In Monetary Policy

that a relaxation of such restraints is desirable and helpful when deflationary pressures make their appearance. Their attitude seems to be that it is always good to have credit made easy and for interest rates to go down, but seldom if ever good for credit to be made less readily available and for interest rates to go up. They seem to believe that success in curbing a rise in the volume of bank credit, under inflationary conditions, might be bought at the price of a "tenacious level of higher interest rates that would be an obstacle to future economic expansion." This belief, I would say, opposes their assertion that restricting the availability of credit has only a limited effect on extensions of credit to meet private demand. It also ignores the flexibility of general credit measures which are not committed to any level of interest rates, but only to governing the availability of credit in terms of the needs of the economy at different times and under differing circumstances. The monetary authorities are not for high rates or low rates; they are for the lowest rates compatible with a healthy, stable economy. They need to be able to take action promptly, in either direction, if small doses of credit restraint or credit relaxation are to do their work well.

My third proposition is that one great merit of general credit measures is that they are not and cannot be aimed at specific segments of the economy. They leave largely to the determination of the marketplace and to the thousands of individual decisions which are made within the market, the impact and the areas of curtailment when restraint is in order. If there are overriding national considerations, as in time of war, which require that demand be curtailed in specific areas in some order of priority which cannot be determined in the marketplace, special direct controls should bear this special burden, although selective credit controls may also play an important role. In a mixed peace-war economy such as we have at present, the necessary but limited direct controls can be and are supported by measures of general credit restraint. In fact, they must be so supported if they are to do their work.

My fourth proposition is that the government's credit does not depend on price fixing or price support in the government security market. The government's credit depends on the productive resources of the United States and its citizens, and on the ability and sagacity and integrity with which we manage our affairs. Faith in the credit of the government is the basis for confidence in government securities, and this faith and this confidence do not waver with changes in prices and yields of particular pieces of paper which reflect passing changes in the demand for and the supply of funds for investment. There is no necessary incompatibility between confidence in the government's credit, confidence in government securities, and measures of general credit control which cause temporary changes in prices and yields of government obligations. For my part, I believe that the great growth in the Federal debt, its wide distribution, and its importance in the portfolios of large institutional investors, has created opportunities as well as difficulties for credit policy. Through the discount rate and open market operations we are now able to have direct contact with a broad homogeneous nationally integrated market, sensitive to modest changes in the direction of credit policy. We no longer have to rely on tactics which run the risk of burning the barn to roast the pig.

I do recognize a continuing obligation, under existing conditions, to maintain orderly markets for government securities. Orderly markets have been defined as markets without airpockets; that is, markets where there is a degree of continuity between demand and supply at going or moderately changed prices. Orderly markets restrain erratic movements of prices and yields which seem to have no justification in terms of general economic and credit conditions. They do not preclude broad movements that reflect changes in basic underlying forces. This conception of orderly markets is not the same as the conception of a stable market defined as one in which prices and yields fluctuate within a moderate range, over a considerable period, without exhibiting any pronounced upward or downward tendency. The latter is an invitation to a pegged market whether so intended or not. Those who deal in the market will quickly probe to find out what are the limits of your "moderate range" and the lower limit of that range will become a peg. That is not the way to maintain confidence in the credit of the government nor in the government security market, and it makes it impossible to have a monetary policy which will contribute its share to economic stability.

I do not want to be interpreted as denying that there is a problem of how best to combine debt management and an effective monetary policy under conditions of substantial deficit financing and frequent Treasury refundings. There is a problem which includes the necessary market stabilization at the time of Treasury offerings. We shall face it during the second half of this year, particularly if the Congress does not move to eliminate the prospective deficit in the cash budget for fiscal 1953. It is a measure of fiscal failure that with very high levels of income, and with the necessary demands of the defense program on that income not unbearably large, we are faced with a considerable cash deficit. It is a matter of regret in the field of debt management that we are faced with five refunding operations during the last six months of this year, rather than having a well spaced schedule of maturities. It will require the closest coordination of debt management and credit policy to meet this situation without endangering our economic stability.

It is this general problem we should be working on, without further and sometimes doctrinaire arguments about whether and when and how general credit control measures are effective. It is this problem we have been working on since the Treasury-Federal Reserve accord of last March. The possibility of its solution, I assume, is one of the principal interests of your Committee. The main hope of solution lies in the Treasury and the Federal Reserve meeting regularly as equals to define and discuss the problem, to present the considerations of debt management and credit policy which they deem important, and to devise a joint course of action. Much of the difficulty in the past, as I observed it, grew out of the tendency of the Treasury to assume that its responsibility and authority was exclusive in cases where debt management and credit policy overlapped. Since this attitude is now changed, it should be possible for reasonable men to go forward in double harness.

Set Up a Guide for Both Treasury and Federal Reserve

Because the Treasury should have every protection in this sharing of mutual responsibilities, and for the guidance of future Secretaries, I have inclined toward a new Congressional mandate such as was suggested to the Congress by the Douglas Subcommittee. This would act as a guide to both the Treasury and the Federal Reserve in meeting their responsibilities for debt management and credit policy; it would subordinate neither one to the other.

It has also been proposed that there be set up a sort of National Advisory Council, which would try to repeat in the domestic field the success of the existing National Advisory Council on International Monetary and Financial Problems. In my testimony before the Douglas Subcommittee I said that formation of a consultative body along such lines might merit your consideration. I am more doubtful now, and intervening events suggest some caveats. I certainly would not want to suggest such a body as advisory to the President, with the implication that final decisions in this field, as in so many others, would be made by the Presidential office. The practical effect of that might be to place the Federal Reserve under the domination of the Treasury, or to place both the Federal Reserve and the Treasury under the domination of some White House group. Such a National Advisory Council, if it recommends itself at all, should be a clearing-house for the discussion of policy problems in related fields, and for developing staff coordination; it should not be a super authority with either explicit or implicit executive responsibilities and duties. If establishment of such a domestic advisory council, by the Congress, is to be considered, therefore, I would bracket with it the suggestion of a new Congressional mandate to the Treasury and the Federal Reserve, as insurance that the council would not try to substitute its judgment for the judgment of these two agencies.

It should be remembered, of course, that the participation of the Chairman of the Board of Governors in such a council would have to be different, in any case, from that of the executive head of a department or bureau of the government who wields the final authority in his department or bureau. The Chairman of the Board of Governors is one member of the Board and one member of the Federal Open Market Committee. Unless you want to scrap the whole idea of a Board or a Committee in favor of a credit czar, the Chairman of the Board could not commit the Board nor the Committee to any course of action not sanctioned by the Board or the Committee. He could bring to the council the views of these bodies of which he is a member, and he could bring to these bodies the views of the council, but he could not decide, by himself, what Federal Reserve action should be.

This same consideration has its application to the relations between the Federal Reserve and the Presidential office. The Chairman of the Board of Governors is the natural means of laison between the Federal Reserve and the Executive, and it is quite appropriate that he should keep open the channels of communication and information between the Federal Reserve and the Executive. But both the Executive and the Chairman must remember that the Chairman is only first among equals on the Board of Governors and in the Federal Open Market Committee; he cannot make commitments not previously sanctioned by the Board or the Committee, and he cannot give assurance of action which has not been considered and approved by the Board or the Committee.

Exhuming Treasury-Federal Reserve Controversy

I would have liked to end this part of my testimony by consigning past controversies to limbo and concentrating on a future of Treasury-Federal Reserve cooperation in matters of debt management and credit policy. That, I am sure, is the desire of your Committee. Unfortunately, I feel that I cannot let the matter rest there if we are really to gain from past experience in meeting future problems. There has been introduced into your records an account of Treasury-Federal Reserve relationships since the end of World War II, and particularly during the period August, 1950 to March, 1951, which should not be allowed to stand as the final unquestioned record of that period. I take it upon myself to raise the question because I am perhaps the only one now active in the Federal Reserve System who has personal knowledge of most of what happened.

There is little or nothing to be gained by rehashing in detail all of these postwar developments; I have indicated my general view that, despite agreements on objectives, we follow a policy so cautious, so hesitant, so distrustful of general credit measures, and so little understood by the public that credit policy lost much of its effectiveness. When we come to the summer of 1950, however, our differences are said to have become more serious. It is from there on that I may be able to make some contribution to the work of your Committee in so far as recommendations for the future may draw support from the record of the past.

The story really begins in the latter part of 1949 when inflationary pressures began to reassert themselves, after a lull, and the Federal Reserve thought that re-

Continued on page 40

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	May 4	100.6	*100.5	102.1	104.0
Equivalent to—					
Steel ingots and castings (net tons)	May 4	2,090,000	*2,087,000	2,120,000	2,079,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Apr. 19	6,365,500	6,366,300	6,422,600	6,143,750
Crude runs to stills—daily average (bbls.)	Apr. 19	¶6,501,000	6,315,000	6,542,000	6,265,000
Gasoline output (bbls.)	Apr. 19	21,303,000	21,542,000	21,818,000	20,060,000
Kerosene output (bbls.)	Apr. 19	2,720,000	2,720,000	2,623,000	2,778,000
Distillate fuel oil output (bbls.)	Apr. 19	9,123,000	9,412,000	9,544,000	8,172,000
Residual fuel oil output (bbls.)	Apr. 19	8,958,000	8,746,000	8,845,000	8,601,000
‡ Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 19	157,392,000	157,781,000	(†)	147,305,000
Kerosene (bbls.) at	Apr. 19	17,321,000	17,017,000	(†)	16,132,000
Distillate fuel oil (bbls.) at	Apr. 19	49,358,000	48,494,000	(†)	46,696,000
Residual fuel oil (bbls.) at	Apr. 19	36,828,000	35,880,000	(†)	36,748,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 19	735,097	690,660	719,921	810,022
Revenue freight received from connections (no. of cars)	Apr. 19	616,484	627,945	678,687	698,070
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 24	$371,079,000	$235,105,000	$271,637,000	$274,691,000
Private construction	Apr. 24	186,185,000	120,896,000	137,458,000	119,041,000
Public construction	Apr. 24	184,894,000	114,209,000	134,179,000	155,650,000
State and municipal	Apr. 24	130,664,000	93,441,000	108,865,000	62,031,000
Federal	Apr. 24	54,230,000	20,768,000	25,314,000	93,619,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 19	9,175,000	*8,050,000	9,555,000	10,624,000
Pennsylvania anthracite (tons)	Apr. 19	683,000	604,000	680,000	730,000
Beehive coke (tons)	Apr. 19	99,400	60,000	132,300	129,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Apr. 19	*97	*111	*94	*97
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 26	§7,140,000	*7,104,255	7,263,009	6,673,505
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Apr. 24	168	183	164	162
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 22	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Apr. 22	$52.72	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	Apr. 22	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 23	24.200c	24.200c	24.200c	24.200c
Export refinery at	Apr. 23	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Apr. 23	121.500c	121.500c	121.500c	142.000c
Lead (New York) at	Apr. 23	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Apr. 23	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Apr. 23	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 29	98.70	98.28	97.21	97.98
Average corporate	Apr. 29	110.15	110.15	109.79	111.44
Aaa	Apr. 29	114.46	114.46	113.89	115.24
Aa	Apr. 29	113.12	113.12	112.75	114.27
A	Apr. 29	109.60	109.60	108.88	110.52
Baa	Apr. 29	104.14	104.14	104.14	106.04
Railroad Group	Apr. 29	107.44	107.44	106.74	107.80
Public Utilities Group	Apr. 29	109.60	109.60	109.42	111.44
Industrials Group	Apr. 29	113.89	113.70	113.50	115.24
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 29	2.59	2.62	2.69	2.63
Average corporate	Apr. 29	3.16	3.16	3.18	3.09
Aaa	Apr. 29	2.93	2.93	2.96	2.8[illegible]
Aa	Apr. 29	3.00	3.00	3.02	2.94
A	Apr. 29	3.19	3.19	3.23	3.1[illegible]
Baa	Apr. 29	3.50	3.50	3.50	3.3[illegible]
Railroad Group	Apr. 29	3.31	3.31	3.35	3.2[illegible]
Public Utilities Group	Apr. 29	3.19	3.19	3.20	3.0[illegible]
Industrials Group	Apr. 29	2.96	2.97	2.98	2.8[illegible]
MOODY'S COMMODITY INDEX	Apr. 29	427.8	432.1	436.6	517.[illegible]
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 19	163,,623	173,738	188,833	225,58[illegible]
Production (tons)	Apr. 19	196,697	198,938	204,237	256,538
Percentage of activity	Apr. 19	81	81	85	107
Unfilled orders (tons) at end of period	Apr. 19	389,115	423,844	391,531	694,218
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE = 100	Apr. 25	140.8	140.8	140.8	154.5
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Apr. 12	23,247	32,270	31,399	30,496
Number of shares	Apr. 12	659,376	920,179	868,745	911,732
Dollar value	Apr. 12	$30,197,111	$41,508,247	$42,237,831	$40,480,963
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 12	19,578	27,614	25,355	28,718
Customers' short sales	Apr. 12	108	172	192	398
Customers' other sales	Apr. 12	19,470	27,442	25,163	28,320
Number of shares—Total sales	Apr. 12	541,842	772,858	706,552	806,061
Customers' short sales	Apr. 12	3,874	5,858	5,691	13,969
Customers' other sales	Apr. 12	537,968	767,000	700,861	792,092
Dollar value	Apr. 12	$23,415,126	$33,126,961	$30,422,367	$32,976,365
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 12	158,800	216,990	197,910	227,210
Short sales	Apr. 12				
Other sales	Apr. 12	158,800	216,990	197,910	227,210
Round-lot purchases by dealers—					
Number of shares	Apr. 12	251,560	348,760	358,350	362,890
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Apr. 5	230,590	238,890	400,320	404,790
Other sales	Apr. 5	7,783,790	7,003,580	7,533,490	7,792,800
Total sales	Apr. 5	8,014,380	7,242,470	7,933,810	8,197,590
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Apr. 5	830,560	754,166	834,260	814,910
Short sales	Apr. 5	130,490	108,910	137,370	156,000
Other sales	Apr. 5	744,740	570,270	657,210	686,450
Total sales	Apr. 5	875,230	679,180	794,580	842,450
Other transactions initiated on the floor—					
Total purchases	Apr. 5	255,440	197,800	214,200	205,000
Short sales	Apr. 5	16,700	10,100	17,400	38,100
Other sales	Apr. 5	268,700	203,610	210,800	223,530
Total sales	Apr. 5	285,400	213,710	228,200	261,630
Other transactions initiated off the floor—					
Total purchases	Apr. 5	368,777	268,185	324,155	274,033
Short sales	Apr. 5	35,650	43,310	151,840	52,890
Other sales	Apr. 5	457,490	352,871	473,797	354,420
Total sales	Apr. 5	493,140	396,181	625,637	407,310
Total round-lot transactions for account of members—					
Total purchases	Apr. 5	1,454,777	1,270,145	1,372,615	1,293,943
Short sales	Apr. 5	182,840	162,320	306,610	246,990
Other sales	Apr. 5	1,470,930	1,126,751	1,341,807	1,264,400
Total sales	Apr. 5	1,653,770	1,289,071	1,648,417	1,511,390
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Apr. 22	111.3	111.5	111.7	------
Farm products	Apr. 22	106.7	107.2	108.1	------
Processed foods	Apr. 22	107.7	107.2	108.9	------
Meats	Apr. 22	111.4	110.7	112.5	------
All commodities other than farm and foods	Apr. 22	113.1	113.2	113.0	------

*Revised. †Not available. ‡On new basis. §Preliminary figure. ¶Includes 492,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of February	72,330	76,934	62,740
Stocks of aluminum (short tons) end of Feb.	9,662	10,190	14,445
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of February	8,657,210	9,136,117	7,765,701
Shipments of steel products, incl. carbon alloy & stainless (net tons)—Month of Jan.	6,589,193	6,411,105	6,904,688
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of February (in thousands)	$114,051,000	$123,059,000	$101,437,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of February (000's omitted):			
All building construction	$590,406	*$508,470	$625,472
New residential	367,092	*293,697	369,796
New nonresidential	142,615	*145,675	180,283
Additions, alterations, etc.	80,699	*69,098	75,393
BUSINESS INVENTORIES DEPT. OF COMMERCE NEW SERIES — Month of Feb. (millions of dollars):			
Manufacturing	$42,079	*$42,206	$34,657
Wholesale	9,717	*9,951	9,715
Retail	18,189	18,061	19,044
Total	$69,985	*$70,218	$63,416
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of February (000's omitted)	$181,400	$505,700	$214,200
CONSUMER PURCHASES OF COMMODITIES — DUN & BRADSTREET, INC. (1935-1939=100)—Month of March	331.6	*323.1	340.8
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 AVERAGE = 100 — Month of March:			
Sales (average monthly), unadjusted	88	77	100
Sales (average daily), unadjusted	86	82	95
Sales (average daily), seasonally adjusted	98	100	103
Stocks (unadjusted	113	104	*135
Stocks, seasonally adjusted	108	107	129
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of March:			
Contracts closed (tonnage)—estimated	222,624	*230,832	297,517
Shipments (tonnage)—estimated	271,085	*246,398	237,087
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of March:			
Deliveries (number of cars)	8,159	7,358	7,011
Backlog of orders at end of month (number of cars)	115,854	118,394	158,619
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of March:			
Automatic gas water heater shipments (units)	152,200	146,100	240,000
Domestic gas range shipments (units)	180,100	150,400	303,000
HOUSEHOLD VACUUM CLEANERS — STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.) — Month of March:			
Factory sales (number of units)	290,092	235,936	290,242
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of February:			
Factory sales of washers (units)	255,864	213,998	341,328
Factory sales of ironers (units)	17,630	15,636	32,400
Factory sales of dryers (units)	44,540	45,121	36,851
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of February (millions of dollars):			
Inventories:			
Durable	$23,001	*$22,976	$17,251
Nondurable	19,078	*19,230	17,406
Total	$42,079	*$42,206	$34,657
Sales	23,267	22,512	22,261
MONEY IN CIRCULATION—TREASURY DEPT.—As of Feb. 29 (000's omitted)	$28,465,000	$28,386,000	$27,188,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of February (in billions):			
Total personal income	$257.1	*$257.7	$243.3
Wage and salary receipts, total	176.6	*175.8	163.4
Total employer disbursements	173.0	*172.1	160.0
Commodity producing industries	77.0	*76.7	72.4
Distributing industries	46.9	*46.8	44.5
Service industries	20.9	*20.7	19.8
Government	31.8	*31.6	26.7
Less employee contributions for social insurance	4.0	4.1	3.4
Other labor income	3.9	3.9	3.8
Proprietors and rental income	48.4	*49.9	48.2
Personal interest income and dividends	19.7	*19.4	19.2
Total transfer payments	12.5	12.9	12.1
Total nonagricultural income	236.9	*235.8	222.9
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — August, 1909-July, 1941=100—As of February 15:			
Unadjusted—			
All farm products	289	300	313
Crops	259	277	283
Food grain	249	251	254
Feed grain and hay	230	234	222
Tobacco	436	431	440
Cotton	313	325	351
Fruit	168	171	204
Truck crops	217	337	333
Oil-bearing crops	296	303	379
Livestock and products	317	320	340
Meat animals	377	376	425
Dairy products	317	316	285
Poultry and eggs	181	200	205
ZINC OXIDE (BUREAU OF MINES)—Month of January:			
Production (short tons)	15,617	15,889	20,399
Shipments (short tons)	13,432	12,969	19,214
Stocks at end of month (short tons)	29,618	27,433	11,053

*Revised figure.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

A couple of gremlins must've stepped in and pied the type in last week's column. After reading it in the paper I didn't know what it said. It wasn't just double-talk, it was all disjointed; at least the first few sentences didn't make sense.

* * *

In any event, the selling that I feared would break out again, did occur last Thursday, or about the time last week's column reached your hands. At the lowest point of that day there was a lot of buying that came in. Most of it, I think, came from the mutual funds. But on subsequent market days, the buying had dried up, and here and there the same sort of selling that preceded the recent break cropped up again.

* * *

Basically, it seems to me that the news is catching up with the trend of prices. The Korean developments are now coming to a head; new tenseness is developing in Germany. Over all this there is a hot political campaign that is slowly gathering momentum and an angry Congress that is lopping off funds that Truman has asked for. All these are part and parcel of a potential picture that must affect the stock market. If war stops in Korea, there'll be plenty of hollering to cut down defense spending. If we are to continue playing footsie with Europe we have to continue spending. Who will be the actual candidates and what they'll stand for is another obstacle. It's no wonder the market is confused. When it's like that I prefer to stay out. I suggest you do the same.

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

Continued from page 38

Simple Propositions In Monetary Policy

straints on credit expansion which had been relaxed earlier in the year should be reimposed. A curious bit of working at cross purposes developed. The Treasury evidently thought that our arguments for credit restraint were being made known to the market and were resulting in downward pressure on prices and upward pressure on yields of government securities. We observed, on the other hand, that the Treasury was adopting the practice of announcing forthcoming offerings of securities weeks instead of days in advance of the actual offering date, thus in effect committing us to continuous support of existing market conditions if the offerings were to be successful.

It was with about a year of such experience behind us, that we came to Aug. 18, 1950. The outbreak of war in Korea had set off an inflationary splurge which could not be ignored. As stated in the answer of the Presidents of the Federal Reserve Banks (to question D 13 in the questionnaire you addressed to them) the System stood aside until the President had sent a special message to the Congress on the defense needs growing out of the Korean hostilities and until the Treasury had determined the probable magnitude of early additional financing. When the national course had been set and an anti-inflationary program announced, which placed primary reliance on fiscal and credit measures, the Federal Open Market Committee felt that in support of this program the Federal Reserve System should use all the means at its command to restrain the further expansion of bank credit, while maintaining orderly conditions in the government security market.

Increase in the Discount Rate

The immediate action taken on Friday, Aug. 18, was approval by the Board of Governors of an increase in the discount rate of the Federal Reserve Bank of New York from 1½ to 1¾%, effective at the opening of the next business day, Monday, Aug. 21, and approval by the Federal Open Market Committee of a general policy of making reserves less readily available to the banks, by purchases of government securities, thus restricting the principal source of new credit in the economy. These actions contemplated an open market policy within which we would be reluctant buyers rather than ready buyers of government securities, a consequent rise in short-term rates, restoration of the discount rate as a policy weapon, and a reduction of the price at which we would buy the longest term restricted bonds so as to eliminate most of the premium we had been paying.

Advice of the action of the Board and of the Committee was conveyed to the Treasury on Friday afternoon, Aug. 18. The Secretary was told that the action had been taken and that a public statement concerning it was being prepared for issuance that afternoon; that his blessing had not been specifically sought in advance because it had been decided that this would be asking too much of him in the field of our primary responsibility. The immediate response was that an accomplished fact required no comment. The delayed response was advice to us, that same afternoon, that the Treasury had decided to announce its September-October, 1950 refunding — a $13 billion operation — immediately, maintaining the existing rate of 1¼% for one year obligations. (The actual offering was a 13-month note.) The inconsistency of this decision with our action was clear to all concerned.

We could not reverse our earlier action, in the light of our responsibilities to the Congress and to the public as we saw them. We took the only other course open to us. We purchased the larger part ($8 billion) of the securities maturing Sept. 15 and Oct. 1, 1950, in order to assure that there would not be an overwhelming rejection of the Treasury offering. At the same time, to offset these additions to the System portfolio, and to bank reserves, we sold other securities at higher yields, yields more nearly reflecting market conditions and more nearly in line with our action on discount rates and our open market policy. This was a deplorable situation, but it seemed to us then and it seems to me now that our action enabled us to hold the volume of Federal Reserve credit and member bank reserves at lower levels than if we had continued to peg one year obligations at 1¼% through a period of strong and rising credit demands. In that case we would have been persistent buyers of short-term securities without the possibility of offsetting sales. For the longer pull, we were taking an important step toward regaining the initiative with respect to reserve funds, rather than leaving that initiative with the market.

The next Treasury financing about which a question has been raised, involved the refunding of $2,600 million bonds maturing Dec. 15, 1950 and $5,300 million certificates maturing Jan. 1, 1951. The joint refunding offering, announced Nov. 22, 1950, was a 5-year 1¾% Treasury note which all had agreed should be tried in order to improve the debt structure and to space out maturities which were becoming congested because of repeated financing in the one year area. The initial response to the announcement was favorable; the issue was considered to be fairly priced. As it turned out, however, the new note did not meet the needs of a substantial number of the holders of the maturing issues, who preferred either to do their own refunding into shorter-term obligations in the market, or to take cash at maturity; and the banks were less willing than usual to absorb the "rights" which these holders offered for sale, either because of their own liquidity position or because of apprehension concerning the future course of prices and yields growing out of the September-October financing experience and the evidence of Treasury-Federal Reserve conflict. In terms of the amount of the maturing issues bought by the Federal Reserve and the amount redeemed for cash, the financing was not a success by the standards of recent years.

It has been stated that the Federal Reserve, on the first day of trading (Nov. 24, 1950) after announcement of the new issue, allowed the market to go off sharply, notwithstanding the fact that the issue had been proposed by the Federal Reserve, and the Chairman of the Board of Governors had assured the Treasury of the System's full cooperation. That doesn't mean that we put the market down; it merely means that we didn't buy so heavily and so generally as to hold up the price of every outstanding issue. Nevertheless the implication is that a failure of promised cooperation contributed to the lack of success of the financing. In my opinion, the Federal Reserve did everything it properly could to make the issue a success including the purchase of $2.7 billion of the "rights" or maturing issues (purchases only partly offset by sales of $1.3 billion of outstanding Treasury notes due in 1951), an action directly contrary to our desire to keep additional Federal Reserve funds out of the market. It is true that quotations for outstanding issues, particularly bank eligible issues, declined in the market on the first trading day following the announcement of the financing, a not unusual development when it becomes known that a large bloc of new securities is to be placed in a particular area of the market. We resisted this tendency although, of course, we did not try to peg or even support the price of every issue in the market. Our transactions that day showed purchases of $70,900,000 of Government securities including $34 million of "rights," and offsetting sales of $24 million of short securities for which there was a demand. Throughout the whole period until the books on the new issue were closed on December 7 a premium was maintained on the new issue despite the fact that prices on many outstanding issues continued to move lower. There were several reasons for the relatively unsatisfactory experience with this financing and we may have made mistakes in recommending it and in our technical handling of the market, but lack of cooperation of the Federal Reserve was not the trouble.

On the next point where controversy has been exhumed by answers to your questionnaire, I cannot testify from personal knowledge. I was not at the meeting of the President, the Secretary of the Treasury, and the Chairman of the Board of Governors, in January, 1951, at which the Chairman is said to have assured the President that he need not be concerned about the 2½% long-term rate on government securities. So far as the Federal Open Market Committee is concerned, it was not then advocating that the price of the longest term outstanding bonds—the 2½% bonds of 1967-72—be allowed to decline below par, although it was most anxious to quit paying for these issues a premium which was an open invitation to holders to sell out at a profit. On the other hand, the Committee had not taken any action which would have authorized the Chairman to commit it to support future long-term financing on a 2½% basis.

The final point in this record on which I feel I must comment, is the statement that as a result of a series of conferences in early February, 1951, including conferences with the Chairmen of the two banking committees of Congress, and the Chairman of the Joint Committee on the Economic Report, it was generally agreed that there should be no change in the existing situation in the government security market, while the Secretary of the Treasury was in the hospital recuperating from an operation. This suggestion was offered but it was never accepted by the Federal Open Market Committee, and at the conferences which I attended it was made clear that it could not be accepted, desirous though we were of reaching some agreement with the Treasury.

We were disturbed, of course, by the illness of the Secretary, but we did not think that our business and the Treasury's business, which means the public's business, could be held in suspense for the indefinite period of his recuperation. The pressures were too great. We were being forced to put large amounts of reserve funds into the market each day in support of the longest term government bonds at premium prices, a policy which we considered to be profoundly wrong. Inflationary pressures were again strong. We said, therefore, that unless there was someone at the Treasury who could work out a prompt and definitive agreement with us as to a mutually satisfactory course of action, we would have to take unilateral action. Conferences of representatives of the Treasury and the Federal Reserve were resumed, and an accord was reached which was approved by the Secretary of the Treasury and the Federal Open Market Committee early in March, 1951.

There was no breach of faith with members of the Congress or others involved in this fortunate ending of our differences, which provided the basis for the further development of a coordinated program of debt management and credit policy. I think we are back on the track, and that with free and extensive consultation between the Treasury and the Federal Reserve—both at the policy level and the staff level—we can stay there. That is the hopeful outcome of our difficulties, and the justification for discussing our differences so freely.

As you can see, our road has been a difficult one. It is wrong, however, to speak of it as a war between the government and the central bank. There can be no such war, with battles won and lost. The Treasury and the Reserve System are parts of or agents of the government. They seek to carry out the national policies of government. I should hope and expect that as a result of our experience, and of the studies and deliberations of your Committee, we shall be able to do a better job in the future than we have in the past. We all have the same great objective, the maintenance of the integrity of the dollar and the stability of our economy. A proper and coordinated policy of debt management and credit policy can contribute greatly to these ends. No important changes in our powers nor major alterations in our structural forms are necessary to achieve our purpose. We need only the ability to assess our problems wisely, the earnest desire to work them out jointly, and the will to act resolutely.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—George A. Lowander has become associated with Bache & Co., 96 Northeast Second Avenue. He was formerly with Francis I. du Pont & Co.

Joins J. R. Williston

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Melvin M. Shrago is now affiliated with J. R. Williston & Co., 411 Seventy-first Street.

With Looper & Co.

(Special to THE FINANCIAL CHRONICLE)

JOPLIN, Mo.—James R. Hardin has become affiliated with Looper & Company, Joplin National Bank Building.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Alabama Gas Corp. (5/15)
April 17 filed $4,000,000 first mortgage bonds, series C, due 1971. **Proceeds**—For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Salomon Bros. & Hutzler, Equitable Securities Corp. and Carl M. Loeb, Rhoades & Co. (jointly).

★ Alaska Airlines, Inc.
April 25 (letter of notification) $155,000 of 5½% convertible coupon bonds due Feb. 1, 1964. **Price**—At par (in denominations of $1,000 and $500 each). **Proceeds**—For purchase of aircraft parts and supplies and for working capital. **Office**—501 Fifth Avenue, New York 17, N. Y. **Underwriter**—R. H. Johnson & Co., New York.

★ Allied Glass Corp., Martins Ferry, Ohio
April 21 (letter of notification) 30,000 shares of capital stock preorganization subscriptions to be issued to organization committee, who shall be obligated to purchase stock at par ($10 per share) upon demand of the corporation. **Proceeds**—None.

Aluminum Co. of America
April 1 filed 489,073 shares of common stock (no par) reserved for issuance pursuant to Employees Stock Option Plan. **Price**—At a fixed price based on market. **Proceeds**—For general corporate purposes. **Underwriter**—None. Statement effective April 23.

★ Aluminum Co. of Canada, Ltd. (5/20-21)
April 29 filed $90,000,000 of sinking fund debentures due 1970 (to be guaranteed by Aluminium, Ltd., parent, and payable in U. S. dollars). **Proceeds**—For expansion. **Underwriter**—The First Boston Corp., New York.

American Can Co. (5/8)
April 17 filed 989,599 shares of common stock (par $12.50) to be offered for subscription by common stockholders at rate of one such share for each 10 shares held on or about May 8; rights to expire May 26. **Price**—To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriters**—Morgan Stanley & Co. and Clark, Dodge & Co., New York.

• American Greetings Corp. (5/6)
April 15 filed 200,000 shares of common stock (par $1). **Price** — To be supplied by amendment (expected at around $12 per share). **Proceeds**—To selling stockholders. **Business**—Manufacture and sale of greeting cards. **Underwriter**—McDonald & Co., Cleveland, Ohio.

• American Hard Rubber Co.
March 28 filed 96,655 shares of common stock (par $12.50) to be offered for subscription by stockholders at rate of one new share for each four shares of preferred stock or two shares of common stock held (with oversubscription privileges). **Price**—To be supplied by amendment. **Proceeds**—For plant additions and construction. **Underwriter**—Blair, Rollins & Co. Inc., New York. Temporarily postponed.

• American Machine & Foundry Co.
March 27 filed a maximum of 255,467 shares of common stock (no par) being offered in exchange for all of the 191,600 shares of International Cigar Machinery Co. stock (not already owned by American) on a 1⅓-for-1 basis. Offer to expire on May 23, unless extended. **Dealer-Manager**—Reynolds & Co., New York. Statement effective April 21.

★ Applied Research Laboratories, Glendale, Calif.
April 23 (letter of notification) 33,000 shares of capital stock (par $1). **Price**—$9 per share. **Proceeds**—To repay loan and for working capital. **Office**—3717 Park Place, Glendale, Calif. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

★ Arkansas Oil Ventures, Inc., Oklahoma City, Okla.
April 22 (letter of notification) 1,999,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For drilling expenses and working capital. **Underwriter**—Tellier & Co., New York.

• Ashland Oil & Refining Co. (5/6)
April 16 filed not exceeding 600,000 shares of no par value cumulative second preferred stock, series of 1952, convertible prior to June 15, 1962. They will be initially offered for subscription by common stockholders of record May 6 on a 1-for-9 or 1-for-10 basis, with rights to expire on May 22. **Price**—To be supplied by amendment. **Proceeds**—For capital additions and improvements and working capital. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill.

★ Ashland Oil & Refining Co.
April 25 (letter of notification) 3,000 shares of common stock (par $1). **Price**—At the market (approximately $19.12½ per share). **Proceeds** — For working capital. **Office**—1409 Winchester Avenue, Ashland, Ky. **Underwriter**—None.

Bay Petroleum Corp., Denver, Colo.
April 17 (letter of notification) 2,631 shares of common stock (par $1). **Price**—At market (approximately $38 per share). **Proceeds**—To C. U. Bay. **Underwriter**—A. M. Kidder & Co., New York.

Bell & Gossett Co., Morton Grove, Ill.
March 28 (letter of notification) 1,000 shares of common stock (par $5). **Price**—At market (approximately $27.25 per share). **Proceeds** — To R. Edwin Moore, the selling stockholder. **Underwriter**—Ames, Emerich & Co., Inc., Chicago, Ill.

Bingham-Herbrand Corp.
March 19 filed $2,000,000 convertible debentures due April 1, 1964. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term loans, and for other corporate programs. **Underwriters**—Straus, Blosser & McDowell, Chicago, Ill. Statement to be withdrawn. Arrangement being made with insurance company for private placement.

★ Blue Bell, Inc., Greensboro, N. C.
April 21 (letter of notification) 25,000 shares of common stock (par $5). **Price**—$10 per share. **Proceeds**—For working capital. **Office**—Jefferson Standard Bldg., Greensboro, N. C. **Underwriter**—None.

• Bridgeport Brass Co., Bridgeport, Conn.
April 8 filed 125,732 shares of cumulative preferred stock (par $50-convertible through May 1, 1962) to be offered for subscription by common stockholders at rate of one preferred share for each seven and one-half shares of common held. **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding 3¾% serial debentures and repay 2½% notes. **Underwriters**—Hornblower & Weeks and Stone & Webster Securities Corp., New York. **Offering**—Indefinitely postponed.

★ Brookings Plywood Corp., Brookings, Ore.
April 22 (letter of notification) eight shares of common stock. **Price**—At par ($5,000 per share). **Proceeds**—For working capital. **Underwriter**—None.

★ Cambridge Hotels, Inc., Cambridge, Mass.
April 25 (letter of notification) $250,000 of 10-year 7½% convertible debentures due May 1, 1962, and 25,000 shares of class A common stock (par $1), of which stock 2,500 shares are being issued with the debentures to be sold in units of one $1,000 debentures and 12 shares of common stock, and 22,500 shares are being reserved for issuance upon conversion of the debentures. **Price**—$1,000 per unit. **Proceeds** — To purchase Continental Hotel Building and two apartment buildings and for operating expenses. **Underwriter**—Clayton Securities Corp., Boston, Mass. The letter of notification also covers 10,000 shares of class B common stock (par $1), of which 3,000 shares will be issued to the underwriter in the event that not less than 220 units have been sold as compensation and 7,000 shares will be issued to Chauncey Depew Steele, Jr., for services.

Canadian Fund, Inc., New York
April 16 filed 1,700,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Calvin Bullock, New York. **Business**—Open-end investment company.

Cardiff Fluorite Mines, Ltd., Toronto, Canada
Feb. 21 filed 675,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For development expenses and general corporate purposes. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Carpenter (L. E.) & Co., Wharton, N. J.
March 20 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To Jerome L. Long, the selling stockholder. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

• Case (J. I.) Co., Racine, Wis.
April 4 filed 377,058 shares of common stock (par $12.50) being offered for subscription by common stockholders of record April 24 at rate of one new share for each five shares held; rights to expire on May 12. **Price**—$24.50 per share. **Proceeds**—To repay bank loans. **Underwriters**—Morgan Stanley & Co. and Clark, Dodge & Co., New York. Statement effective April 24.

Celon Co., Madison, Wis.
April 17 (letter of notification) $110,000 of convertible subordinated debentures due 1965. **Price**—At par ($100 each). **Proceeds** — For working capital. **Office** — 2034 Pennsylvania Ave., Madison, Wis. **Underwriter**—None.

Continued on page 42

NEW ISSUE CALENDAR

May 1, 1952
Denver & Rio Grande Western RR.____Eq. Tr. Ctfs.
(Bids 1 p.m. CDT)

May 5, 1952
Lone Star Cement Corp.________________Common
(Hayden, Stone & Co. and Adamex Securities Corp.)
Northwest Bancorporation ______________Preferred
(The First Boston Corp. and Blyth & Co., Inc.)
Sonoco Products Co., Hartsville, S. C.______Common
(R. S. Dickson & Co. and D. H. Crawford Co., Inc.)
Wisconsin Electric Power Co.______________Bonds
(Bids 11 a.m. EDT)

May 6, 1952
American Greetings Corp.________________Common
(McDonald & Co.)
Ashland Oil & Refining Co.______________Preferred
(A. G. Becker & Co., Inc.)
New Jersey Bell Telephone Co.________Debentures
(Bids 11 a.m. EDT)
Southern Union Gas Co., Dallas, Tex.___Debs. & Pfd.
(Blair, Rollins & Co., Inc.)
Texas Electric Service Co.________Bonds & Debs.
(Bids noon EDT)

May 7, 1952
Chicago, St. Paul, Minneapolis & Omaha Ry. __________________Equip. Tr. Ctfs.
(Bids noon CDT)
New England Electric System___________Common
(Bids noon EDT)
Union Oil Co. of California____________Debentures
(Dillon, Read & Co.)

May 8, 1952
American Can Co.______________________Common
(Morgan Stanley & Co. and Clark, Dodge & Co.)
Chicago & Western Indiana RR.______________Bonds
(The First Boston Corp. and Halsey, Stuart & Co. Inc.)

May 12, 1952
Food Machinery & Chemical Corp.______Common
(Kidder, Peabody & Co. and Mitchum, Tully & Co.)

May 13, 1952
Firestone Tire & Rubber Co.__________Debentures
(Harriman, Ripley & Co., Inc.)
Worcester County Electric Co.______________Bonds
(Bids noon EDT)

May 14, 1952
Central RR. of Georgia__________Equip. Trust Ctfs.
(Bids to be invited)
Crane Co., Chicago, Ill.________________Debentures
(Morgan Stanley & Co. and Clark, Dodge & Co.)
Elliott Co., Jeanette, Pa.______________Preferred
(F. Eberstadt & Co., Inc.)
Iowa Power & Light Co.__________________Common
(Smith, Barney & Co.)
Lion Oil Co.____________________________Common
(Blyth & Co., Inc.)
New York State Electric & Gas Corp._____Common
(The First Boston Corp.)

May 15, 1952
Alabama Gas Corp.________________________Bonds
(Bids to be invited)
Metals & Chemicals Corp.________________Common
(Beer & Co.)

May 19, 1952
Davison Chemical Corp.__________________Preferred
(Alex. Brown & Sons)

May 20, 1952
Aluminum Co. of Canada, Ltd.________Debentures
(The First Boston Corp.)
Hammermill Paper Co.____________________Common
(A. G. Becker & Co. Inc.)
National Fuel Gas Co.__________________Debentures
(Bids to be invited)

May 21, 1952
Iowa Power & Light Co.____________________Bonds
(Bids to be invited)

May 26, 1952
Dallas Power & Light Co.______________Preferred
(Bids noon EDT)

May 27, 1952
Long Island Lighting Co.______________Preferred
(W. C. Langley & Co.)

June 4, 1952
Baltimore & Ohio RR.__________Equip. Trust Ctfs.
(Bids to be invited)

June 10, 1952
Kansas Gas & Electric Co.__________Bonds & Stock
(Bids noon EST on bonds; 10:30 a.m. EST on stocks)

June 24, 1952
Gulf Power Co.____________________________Bonds
(Bids to be invited)

July 1, 1952
Illinois Bell Telephone Co.______________Common
(Offering to stockholders)

July 8, 1952
Georgia Power Co.________________________Bonds
(Bids to be invited)

Continued from page 41

★ Central Oklahoma Oil Corp., Oklahoma City, Okla.
April 21 (letter of notification) 30,000 shares of common stock (par 10 cents) to be issued pursuant to option warrants for a like number of shares exercisable at $1.25 per share. **Price**—At market (estimated at $1.75 per share). **Proceeds** — For working capital. **Office** — Braniff Bldg., Oklahoma City, Okla. **Underwriter**—None.

Central Vermont Public Service Corp.
April 23 filed $1,500,000 of first mortgage bonds, series H, due May 1, 1982, and 108,900 shares of common stock (par $6). The latter issue is to be first offered for subscription by common stockholders at the rate of one share for each six shares held. New England Public Service Co., parent, owner of 35.5% of Central Vermont common, will waive its subscription rights to the new shares. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds, Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Coffin & Burr, Inc. and First Boston Corp. (jointly); R. W. Pressprich & Co. and Equitable Securities Corp. (jointly); Union Securities Corp. (2) For stock, Coffin & Burr, Inc.; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; W. C. Langley & Co., Glore, Forgan & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Century Acceptance Corp., Kansas City, Mo.
April 14 (letter of notification) $250,000 of 15-year 6% junior registered sinking fund debenture notes due April 1, 1967, and 24,500 shares of class A common stock (par $1). **Price**—Of notes, at par (in denominations of $100 each), and of stock, $2 per share. **Proceeds** — For working capital. **Office**—1334 Oak St., Kansas City, Mo. **Underwriter**—Wahler, White & Co., Kansas City, Mo.

★ C. I. T. Financial Corp., New York
April 25 filed 150,000 shares of common stock (no par) to be offered pursuant to a restricted stock option plan for key employees to certain employees of the company and its subsidiaries. **Underwriter**—None.

Citizens Credit Corp., Washington, D. C.
April 10 (letter of notification) $125,000 of 6% subordinated debentures due 1969 (with warrants attached to purchase 3,750 shares of class A common stock at $15 per share and 750 shares of class B common at 25 cents per share). **Price**—At 99% and accrued interest. **Proceeds**—To acquire loan offices and subsidiaries. **Office**—1028 Connecticut Avenue, Washington 6, D. C. **Underwriter**—Emory S. Warren & Co., Washington, D. C.

★ Columbia Lumber Co. of Alaska
April 18 (letter of notification) $300,000 of first mortgage 8% bonds. **Price** — At par (in denominations of $500 each). **Proceeds**—For expansion and working capital. **Address**—Box 110, Juneau, Alaska. **Trustee**—National Bank of Alaska. **Underwriter**—None.

Consolidated Industries, Inc.
March 17 (letter of notification) 200,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For construction of sulphuric acid, fertilizer and wood sugar plants. **Office**—174 North Main Street, Salt Lake City, Utah. **Underwriter**—None.

Consolidated Underwriters Investment Corp.
March 26 (letter of notification) 30,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—507 Spring Street, Shreveport, La. **Underwriter**—None.

★ Consumers Cooperative Services, Inc.
April 24 (letter of notification) 2,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To repurchase stock of corporation. **Office**—38 Park Row, New York 7, N. Y. **Underwriter**—None.

● Continental Radiant Glass Heating Corp.
April 16 (letter of notification) 100,000 shares of cumulative convertible preferred stock (par $1) being first offered for subscription by stockholders of record April 28 on a pro rata basis; rights to expire May 13. **Price**—To stockholders $2.70 per share and to public $3 per share. **Proceeds**—For expansion of sales and working capital. **Office**—1 East 35th St., New York, N. Y. **Underwriter**—Aetna Securities Corp., New York.

Continental Royalty Co., Dallas, Tex.
March 18 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To purchase royalties and mineral deeds, oil and gas. **Office**—740 Wilson Building, Dallas Texas. **Underwriter** Southwestern Securities Co. and Hudson Stayart & Co., Inc., of Dallas, Texas.

★ Crane Co., Chicago, Ill. (5/14)
April 23 filed $20,000,000 of 25-year sinking fund debentures due May 1, 1977. **Price**—To be supplied by amendment. **Proceeds** — To repay short-term notes and for working capital. **Business**—Manufacture and distribution of plumbing fixtures, and accessory equipment for aircraft. **Underwriters**—Morgan Stanley & Co. and Clark, Dodge & Co., of New York.

Cribben & Sexton Co., Chicago, Ill.
March 3 (letter of notification) 900 shares of 4½% cumulative preferred stock (par $25). **Price**—At the market (approximately $13 per share). **Proceeds**—To Harold E. Jalass, the selling stockholder. **Underwriter** — Wayne Hummer & Co., Chicago, Ill.

★ Crossett (Ark.) Lumber Co.
April 22 (letter of notification) 9,350 shares of common stock (par $5). **Price** — $32 per share. **Proceeds** — For working capital. **Underwriter** — Equitable Securities Corp., Nashville, Tenn.

● Daitch Crystal Dairies, Inc.
Jan. 31 filed 147,000 shares of common stock (par $1), of which 125,000 shares will be offered by company and 22,000 shares by present stockholders. **Price**—To be supplied by amendment. **Proceeds** — To open additional supermarkets. **Underwriter**—Hirsch & Co., New York. **Offering**—Now expected about the middle of May.

Dallas Power & Light Co. (5/26)
April 21 filed 100,000 shares of cumulative preferred stock (no par). **Proceeds**—To repay advances from Texas Utilities Co., parent, and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co., Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Lehman Brothers; Union Securities Corp.; Harriman Ripley & Co., Inc.; White, Weld & Co. and Equitable Securities Corp. (jointly). **Bids**—Expected to be received at noon (EDT) on May 26.

★ Davison Chemical Corp. (5/19)
April 29 filed 128,533 shares of cumulative preferred stock, series A (par $50) to be offered for subscription by common stockholders at rate of one preferred share for each five common shares held. **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, plus funds to be received from insurance company on a $15,000,000 long-term loan to mature May 1, 1967, for refunding of $4,300,000 outstanding 3½% notes and for expansion program. **Underwriter** — Alex. Brown & Sons, Baltimore, Md.

● Dayton Power & Light Co., Dayton, Ohio
March 18 filed 50,000 shares of common stock (par $7), to be reserved under the company's employees' stock plan. **Price**—$28.75 per share for first six months period and at a fixed price based on market price thereafter. **Underwriter**—None. Statement effective April 11.

Dean Co., Chicago, Ill.
April 10 (letter of notification) 4,000 shares of common stock (par $10). **Price**—$16.50 per share. **Proceeds**—To T. A. Dean, trustee under the will of J. R. Dean. **Office**—666 Lake Shore Drive, Chicago 11, Ill. **Underwriter**—Boettcher & Co., Denver, Colo.

Deardorf Oil Corp., Oklahoma City, Okla.
April 14 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For working capital. **Office**—219 Fidelity Bldg., Oklahoma City, Okla. **Underwriter**—None.

Deerpark Packing Co., Port Jervis, N. Y.
March 21 (letter of notification) 235,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay RFC loan of $41,050 and for working capital.

DeKalb-Ogle Telephone Co., Sycamore, Ill.
April 11 (letter of notification) 20,556 shares of common stock. **Price** — $10 per share. **Proceeds** — For general purposes. **Office**—112 West Elm Street, Sycamore, Ill. **Underwriter**—None.

Detroit Steel Corp.
Feb. 5 filed $25,000,000 of 4⅞% first mortgage bonds due March 1, 1967. **Price** — To be supplied by amendment. **Proceeds**—To retire $13,950,000 of presently outstanding first mortgage bonds and for expansion program. **Underwriters**—Halsey, Stuart & Co. Inc. of Chicago and New York; Van Alstyne, Noel & Co., New York; and Crowell, Weedon & Co., Los Angeles, Calif. **Offering**—Postponed temporarily.

Detroit Steel Corp.
Feb. 5 filed 600,000 shares of $1.50 convertible preferred stock (par $25). **Price**—To be filed by amendment. **Proceeds**—For expansion program. **Underwriters**—Van Alstyne, Noel & Co., New York, and Crowell, Weedon & Co., Los Angeles, Calif. **Offering**—Postponed temporarily.

Devil Peak Uranium, Ltd. (Nev.)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds** — For rehabilitation and development program. **Office** — Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., White Plains, N. Y.

Dixonville Coal Co. (Pa.)
April 17 (letter of notification) $100,000 of 10-year 7% first mortgage convertible sinking fund bonds due June 1, 1962. **Price**—At 98% of principal amount. **Proceeds**—For improvements. **Underwriter**—Arthur L. Wright & Co., Inc., Philadelphia, Pa.

Eastern Stainless Steel Corp., Baltimore, Md.
April 7 (letter of notification) 4,000 shares of common stock (par $5). **Price**—At market (approximately $15 per share). **Proceeds**—To J. M. Curley, the selling stockholder. **Underwriter**—Hornblower & Weeks, New York.

★ El Canada Colombia Mines Co.
April 21 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$1.35 per share. **Proceeds**—For working capital. **Office**—53 State St., Boston 9, Mass. **Underwriter**—None.

★ Elliott Co., Jeanette, Pa. (5/14)
April 24 filed 120,000 shares of 5% cumulative second preferred stock (par $50-convertible through April 1, 1961). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Business**—Manufacture of steam turbines and electric motors. **Underwriter**—F. Eberstadt & Co., Inc., New York.

Federal Electric Products Co.
April 10 (letter of notification) 35,000 shares of class A common stock (par $1) to be offered to employees. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—50 Paris Street, Newark 5, N. J. **Underwriter**—None.

Fenimore Iron Mines, Ltd., Toronto, Canada
Jan. 25 filed 4,007,584 shares of common stock (par $1) and 2,003,792 common stock purchase warrants of which 2,003,792 shares are to be offered to present common stockholders at 75 cents per share (Canadian funds) on a basis of one new share for each two shares held. Subscribers will receive, for each share subscribed, a warrant to purchase one additional share at $1.25 (Canadian funds) per share until June 1, 1953, or an additional 2,003,792 shares. Unsubscribed shares will be offered by the company at the same price and carrying the same warrants. **Proceeds**—To finance drilling program. **Underwriter**—None. Statement effective March 10.

Firestone Tire & Rubber Co. (5/13)
April 23 filed $75,000,000 25-year debentures due May 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—For plant expansion and working capital. **Underwriter**—Harriman Ripley & Co., Inc., New York.

Flathead Petroleum Co., Monroe, Wash.
March 21 filed 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds** — For equipment and drilling purposes. **Underwriter**—None.

★ Florida Home Insurance Co.
April 22 (letter of notification) 12,000 shares of common stock (par $10). **Price**—$25 per share. **Proceeds**—For expansion. **Office**—100 First Ave., N. E., Miami, Fla. **Underwriter**—None.

● Food Machinery & Chemical Corp. (5/12-16)
April 22 filed 300,000 shares of common stock (par $10. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriters**—Kidder, Peabody & Co., New York, and Mitchum, Tully & Co., San Francisco, Calif.

General Alloys Co., Boston, Mass.
March 5 (letter of notification) 25,000 shares of common stock (no par), of which 15,025 shares are to be offered for subscription by officers of the company at $3 per share and 9,975 shares by certain key employees at the same price (latter part to be underwritten at $2.78 per share). **Proceeds**—For working capital. **Underwriter**—William S. Prescott & Co., Boston, Mass.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

★ Gyrodyne Co. of America, Inc.
April 22 (letter of notification) 3,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Flowerfield, St. James, N. Y. **Underwriters**—Company and Jackson & Co., Boston, Mass.

Hamilton Land Co., Reno, Nev.
April 14 (letter of notification) 300,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To acquire ore dumps and for oil leases and royalties. **Office**—139 North Virginia St., Reno, Nev. **Underwriter**—Nevada Securities Corp.

★ Hammermill Paper Co. (5/20)
April 30 filed 200,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For plant improvements and working capital. **Underwriter** — A. G. Becker & Co. Inc., Chicago, Ill.

Hammond Bag & Paper Co., Wellsburg, W. Va.
Feb. 15 (letter of notification) 10,000 shares of common stock to be offered to stockholders. **Price**—At par ($20 per share). **Proceeds**—For working capital. **Underwriter**—None.

★ Hardwick (Mass.) Farmers' Co-Operative Exchange
April 22 (letter of notification) 7,000 shares of capital stock to be offered to stockholders and patrons. **Price**—At par ($5 per share). **Proceeds**—For agricultural education program. **Underwriter**—None.

Hecla Mining Co., Wallace, Ida.
Jan. 17 (letter of notification) 3,000 shares of capital stock (par 25 cents). **Price**—At market (approximately $18 per share). **Proceeds**—To Mrs. M. K. Pollard, the selling stockholder. **Underwriter**—Thomson & McKinnon, New York.

Hex Foods, Inc., Kansas City, Mo.
March 14 (letter of notification) 2,500 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—To F. T. Hoeck, the selling stockholder. **Underwriter**—Prugh-Combest & Land, Inc., Kansas City, Mo.

★ Historic Georgetown, Inc., Washington, D. C.
April 16 (letter of notification) 50,000 shares of common stock. **Price** — $1 per share. **Proceeds** — To develop Georgetown property purchased by the corporation. **Office**—1700 Eye St., N.W., Washington, D. C. **Underwriter**—None.

● Husky Oil Co., Cody, Wyo.
March 28 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—From sale of this stock, plus $1,050,000 from sale of 100,000 additional shares to Northern Natural Gas Co., to be used for exploration and acquisition of properties and to increase investment in Husky Oil & Refining Ltd., a Canadian subsidiary. **Underwriter** — Blyth & Co., Inc., San Francisco and New York. **Offering**—Expected early in May.

★ Imperial Brands, Inc., Inglewood, Calif.
April 24 (letter of notification) 112,600 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To pay outstanding obligations. **Underwriter** — None, but sales will be made through V. L. Oberman, J. A. Hunter and R. J. Prower.

Independent Plow, Inc., Neodesha, Kan.
Feb. 15 (letter of notification) 120,000 shares of common stock (par 25 cents) to be first offered to stockholders. **Price**—$2.50 per share. **Proceeds**—For working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Inland Oil Co. (Nev.), Newark, N. J.
Feb. 26 (letter of notification) 599,700 shares of class A common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling and equipping well and for working capital. **Office**—11 Commerce St., Newark, N. J. **Underwriter**—Weber-Millican Co., New York.

International Technical Aero Services, Inc.
Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—International Terminal, Washington National Airport, Washington, D. C. **Underwriter**—James T. DeWitt & Co., Washington, D. C.

★ Iowa Power & Light Co. (5/14)
April 25 filed a maximum of 226,929 shares of common stock (par $10), to be offered for subscription by common stockholders of record about May 14 at rate of one share for each seven shares held; rights to expire May 28. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriter**—Smith, Barney & Co., New York.

★ Iowa Power & Light Co. (5/21)
April 25 filed $10,000,000 of first mortgage bonds due 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; W. C. Langley & Co., Union Securities Corp. and Glore, Forgan & Co. (jointly); Smith, Barney & Co.; White, Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co. **Bids**—Tentatively expected to be opened on May 21.

Island Air Ferries, Inc.
April 18 (letter of notification) 284,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase two transport aircraft and for working capital. **Office**—MacArthur Airport, Bohemia, N. Y. **Underwriter**—Hunter Securities Corp., New York.

Jersey Yukon Mines Ltd., Toronto, Canada
March 20 filed 200,000 shares of common stock (par $1). **Price**—$1 per share (Canadian funds). **Proceeds**—For capital payments on property account and option agreements, purchase of machinery and operating expenses. **Underwriter**—None.

Johnston Adding Machine Co., Carson City, Nev.
March 5 (letter of notification) 150,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To purchase tools and materials and office equipment. **Underwriter**—None.

Junction City (Kansas) Telephone Co.
Feb. 29 (letter of notification) $294,000 of first mortgage 4½% bonds, series A, due Feb. 1, 1977 (in denominations of $1,000 each). **Proceeds**—To retire bank loans. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

Kansas-Colorado Utilities, Inc., Lamar, Colo.
March 14 (letter of notification) 5,866 shares of common stock. **Price**—$12.75 per share. **Proceeds**—To Sullivan-Brooks Co., Inc., the selling stockholder. **Office**—112 West Elm St., Lamar, Colo. **Underwriter** — Sullivan-Brooks Co., Inc., Wichita, Kan.

● Kearney (James R.) Corp., St. Louis, Mo.
April 14 (letter of notification) 21,000 shares of common stock (par $5) being offered to common stockholders of record April 9 for subscription at rate of one share for each ten shares held; rights to expire on May 6. **Price**—To stockholders, $10.25 per share, and to public $10.75 per share. **Proceeds**—For working capital. **Office**—4236 Clayton Ave., St. Louis 10, Mo. **Underwriter**—Semple, Jacobs & Co., Inc., St. Louis, Mo.

★ Kiesling (John W.) & Son, Inc., Brooklyn, N. Y.
April 24 (letter of notification) $1,500 of interest bearing bonds. **Proceeds** — For working capital. **Office** — 2425 Pacific Street, Brooklyn 33, N. Y. **Underwriter**—None.

Kingsburg Cotton Oil Co.
April 18 (letter of notification) 5,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To R. W. Fewel, the selling stockholder. **Underwriter**—Fewel & Co., Los Angeles, Calif.

Kirby Petroleum Co., Houston, Texas
April 17 (letter of notification) 11,400 shares of preferred stock (par $10). **Price**—At market (not less than $8.50 per share). **Proceeds**—To W. T. Moran, the selling stockholder. **Underwriter**—Harris, Upham & Co., New York.

Kirk Uranium Corp., Denver, Colo.
March 24 (letter of notification) 1,000,000 shares of common stock. **Price** — 30 cents per share. **Proceeds** — For exploration work. **Office** — 405 Interstate Trust Building, Denver, Colo. **Underwriter**—Gardner & Co., White Plains, N. Y.

★ Landa Oil Co., Dallas, Texas
April 23 (letter of notification) $100,000 of 10-year 6% convertible bonds dated June 1, 1952 and due June 1, 1962. **Price**—At principal amount. **Proceeds**—To purchase oil royalties and develop exploration of oil and gas. **Office**—1614 First National Bank Bldg., Dallas 1, Tex. **Underwriter**—None.

Lapaco Chemicals, Inc., Lansing, Mich.
March 18 (letter of notification) 200,787 convertible notes (each note convertible into $1 par class B stock). **Price**—90 cents each. **Proceeds** — For working capital and investment. **Office**—1800 Glenrose Ave., Lansing 2, Mich. **Underwriter**—None.

★ Lindberg Instrument Co.
April 21 (letter of notification) $30,000 of 10-year 6% promissory notes and six shares of capital stock. **Price**—For notes, at par (in denominations of $1,000 each) and for stock, at par ($10 per share.) **Proceeds**—For working capital. **Office** — 1808 Harmon St., Berkeley, Calif. **Underwriter**—None.

Lindemann (A. J.) & Hoverson Co.
Nov. 28 filed 112,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—To eight selling stockholders. **Offering**—Date indefinite.

● Lion Oil Co. (5/14)
April 23 filed 400,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with funds from placement of $15,000,000 of debentures with an insurance company, to be used to pay for construction of new plant. **Underwriter**—Blyth & Co., Inc., New York.

Loch-Lynn Gas Corp. (N. J.)
March 5 (letter of notification) 1,000 shares of common stock (par $1). **Price**—$100 per share. **Proceeds**—For working capital. **Office**—15 Exchange Place, Jersey City 2, N. J. **Underwriter**—None.

● Lone Star Cement Corp. (5/5-9)
April 3 filed 154,209 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—Hayden, Stone & Co. and Adamex Securities Corp., New York. **Offering**—Expected week of May 5.

★ Long Island Lighting Co. (5/27)
April 30 filing expected of 100,000 shares of preferred stock, series B (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—W. C. Langley & Co., New York.

● Martin (Glenn L.) Co.
March 21 filed voting trust certificates for 2,434,230 shares of common stock (par $1) and $6,000,000 of 10-year 4% convertible subordinated notes. There are now outstanding 1,134,229 shares of common stock eligible to be exchanged for the voting trust certificates. The notes (convertible into common stock at rate of $6 per share) will be placed privately. **Financial Adviser**—Smith, Barney & Co., New York. Statement effective April 8.

Mercantile Acceptance Corp. of California
March 20 (letter of notification) 2,030 shares of common stock (par $5) and $40,600 of 10-year 5% junior subordinated debentures to be offered to common stockholders of record March 10 at rate of one share of common and $20 face amount of debentures. **Price**—$23.50 per unit. **Proceeds**—For working capital. **Office**—333 Montgomery Street, San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

★ Mercantile Acceptance Corp. of California
April 22 (letter of notification) 125 shares of first preferred stock, 5% series. **Price**—At par ($20 per share). **Proceeds**—For working capital. **Office**—333 Montgomery St., San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

Michigan Spring Co.
April 18 (letter of notification) 9,744 shares of common stock. **Price**—$13.50 per share. **Proceeds**—For working capital. **Office**—2700 Wickham Drive, Muskegon, Mich. **Underwriter**—None.

Michigan Steel Casting Co., Detroit, Mich.
March 27 (letter of notification) 40,250 shares of common stock (par $1) to be offered for subscription by stockholders of record March 31. **Price**—$5.25 per share. **Proceeds**—For working capital. **Underwriter**—None.

Multnomah Plywood Corp., Portland, Ore.
Feb. 27 filed 200 shares of common stock (par $2,500), of which 191 shares are to be offered to stockholders at par and nine shares are to be offered to three individuals in units of three shares each at $12,500 per unit. **Proceeds**—To acquire timber, timberlands and peeler plant and for working capital. **Underwriter**—None.

National Alfalfa Dehydrating & Milling Co.
April 7 filed 69,800 shares of common stock (par $1) to be offered for subscription by preferred and common stockholders in ratio of one new common share for each 10 shares of preferred or common stock held. **Price**—$9 per share. **Proceeds**—To acquire 305,000 shares of National Chlorophyll & Chemical Co. at $2 per share. **Business**—Manufacture and sale of alfalfa meal. Office—Lamar, Colo. **Underwriter—None.**

National Chlorophyll & Chemical Co.
April 7 filed 349,000 shares of common stock (par $1) to be offered for subscription by preferred and common stockholders of National Alfalfa Dehydrating & Milling Co. in ratio of one share of National Chlorophyll common for each two shares of National Alfalfa preferred or common presently held in conjunction with offer by National Alfalfa company of its own stock. National Chlorophyll shares are to be offered for subscription only as part of a unit or package consisting of one National Alfalfa share at $9 per share and five shares of National Chlorophyll stock at $2 per share, or a total price per unit of $19. **Proceeds**—To purchase from National Alfalfa its existing chlorophyll extraction facilities and inventory and for construction of new extracting plant. **Office**—Lamar, Colo. **Underwriter**—None.

National Fuel Gas Co. (5/20)
April 18 filed $18,000,000 sinking fund debentures due 1977. **Proceeds**—To repay $11,000,000 bank loans and to loan $7,000,000 to subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Harriman Ripley & Co., Inc. **Bids**—To be opened on May 20.

★ New British Dominion Oil Co., Ltd.
April 28 filed 1,000,000 shares of capital stock (par 40 cents—Canadian) and an additional 150,000 under option to the underwriter. **Price**—To be supplied by amendment. **Proceeds**—For exploration and development of prospective and proved oil and gas lands. **Office**—Calgary, Alta., Canada. **Underwriter** — Allen & Co., New York, for part of issue; balance by Canadian underwriters.

New England Electric System (5/7)
April 9 filed 920,573 shares of common stock (par $1) to be offered for subscription by common stockholders of record about May 8 at rate of one share for each eight shares held; rights to expire May 26. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly). **Bids**—To be received up to noon (EDT) on May 7 at 441 Stuart St., Boston 16, Mass.

● New Jersey Bell Telephone Co. (5/6)
April 11 filed $20,000,000 of 32-year debentures due May 1, 1984. **Proceeds**—From sale of bonds and from sale of $50,000,000 of common stock to parent, American Telephone & Telegraph Co., will be used for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Kuhn, Loeb & Co.; Shields & Co.; The First Boston Corp. **Bids**—To be received up to 11 a.m. (EDT) on May 6. Statement effective April 25.

New Jersey Natural Gas Co.
March 31 filed 106,000 shares of 6% cumulative preferred stock (par $20), 212,000 shares of common stock (par $10) and 106,000 common stock purchase warrants (each warrant entitling holder to purchase one share of common stock) to be offered in units of one share of preferred stock, two shares of common stock and one warrant. **Price** — Probably $50 per unit. **Proceeds**—From sale of stock and private placement of $12,500,000 first mortgage bonds will be used to retire bonds and serial notes and for working capital. **Name**—New Jersey Natural Gas Co. **Underwriter**—Allen & Co., New York.

New Mexico Jockey Club, Albuquerque, N. M.
March 17 filed 1,255 shares of common stock (par $1,000). **Price**—At par. **Proceeds**—To construct racing plant and for working capital. **Underwriter**—None, but Dr. Frank Porter Miller of Los Angeles, Calif., will be "engaged to sell the securities to the public. Statement effective April 5 through lapse of time. Amendment necessary.

● New York State Electric & Gas Corp. (5/14)
April 23 filed 300,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriter**—The First Boston Corp., New York.

★ Northwest Bancorporation, Minneapolis (5/7)
April 16 filed 103,185 shares of convertible preferred stock (par $50) to be offered to common stockholders at rate of one preferred share for each 15 common shares held as of May 5; rights expire May 20. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriters** — The First Boston Corp. and Blyth & Co., Inc., New York.

Northwest Plastics, Inc., St. Paul, Minn.
April 18 (letter of notification) 2,100 shares of common stock (par $2.50). **Price**—$8.75 per share. **Proceeds**—To two selling stockholders. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn., and Irving J. Rice & Co., Inc., St. Paul, Minn.

● Pennsylvania Salt Manufacturing Co.
April 3 filed 155,349 shares of common stock (par $10) being offered for subscription by common stockholders of record April 22 at rate of one new share for each seven shares held; rights to expire on May 8. **Price**—$48.50 per share. **Proceeds** — For expansion program. **Underwriter**—Morgan Stanley & Co., New York. **Statement** effective April 22.

Peoples Finance Corp., Montgomery, Ala.
Dec. 19 (letter of notification) 15,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—To expand business. **Office**—5 South Court St., Montgomery, Ala.

Petroleum Finance Corp.
Feb. 5 (letter of notification) 60,000 shares of common stock (par $1) and 30,000 warrants to purchase 30,000 shares of common stock (warrants exercisable at $7.50 per share on or prior to April 1, 1954). Each purchaser of two common shares will receive one warrant. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Oklahoma City, Okla. **Underwriter**—George F. Breen, New York.

● Pittsburgh Coke & Chemical Co., Pittsburgh, Pa.
March 28 filed 142,129 shares of common stock (no par) being offered in exchange for 118,441 shares of Great Lakes Steamship Co., Inc., common stock, held by others than Pittsburgh Coke, which owns an additional 61,109 shares. The offer, which is on a 1.20-for-1 basis, will expire on June 4. **Dealer-Manager** — Hemphill, Noyes, Graham Parsons & Co., New York. Statement effective April 18.

● Ridley Mines Holding Co., Grafton, N. D.
Feb. 15 filed 100,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For exploration and other mining purposes. **Business** — Uranium mining. **Underwriter**—None. Statement effective April 3.

Continued on page 44

Continued from page 43

Robinson (J. W.) Co., Los Angeles, Calif.
Jan. 4 filed 100,000 shares of capital stock to be offered on a pro rata basis to stockholders of record Nov. 23, 1951 (approximately 33 in number) for a 30-day period, with an oversubscription privilege. Unsubscribed shares to be sold privately to individuals selected by company. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds** — For working capital. **Business** — Department store. Statement effective Jan. 28.

★ **Rural Gas Service, Inc., Westfield, Mass.**
April 25 (letter of notification) 37,500 shares of common stock (par $1), to be offered in connection with the conversion privilege of holders of 10-year 6% debentures. **Price** — At market (approximately $2.75 per share). **Office**—18 Elm Street, Westfield, Mass. **Underwriter**—Tifft Brothers, Springfield, Mass.

Signal Mines, Ltd., Toronto, Canada
March 17 filed 600,000 shares of common stock of which 500,000 shares are for account of company. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs and working capital. **Underwriter**—Northeastern Securities Ltd.

Sonoco Products Co., Hartsville, S. C. (5/5)
April 15 filed 150,000 shares of common stock (par $5) to be offered for subscription by stockholders of record March 21 at rate of "slightly in excess of one share for each two shares held"; rights expected to expire on May 15. **Price**—To be supplied by amendment (probably around $16.50 per share). **Proceeds**—For working capital. **Business**—Manufacture and sale of paper carriers, winding cores, and other textile specialties. **Underwriters** — R. S. Dickson & Co., Charlotte, N. C., and G. H. Crawford Co., Inc., Columbia, S. C.

● **South State Uranium Mines, Ltd., Toronto**
April 4 filed (amendment) 384,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Underwriters**—E. L. Aaron & Co. and Empire National Corp., both of New York. Statement effective Aug. 23, 1951.

Southern Union Gas Co., Dallas, Tex. (5/6)
April 8 filed $5,000,000 of sinking fund debentures due 1972 and 30,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For plant expansion. **Underwriter**—Blair, Rollins & Co., Inc., New York.

● **Southern Union Gas Co., Dallas, Tex. (5/6)**
April 8 filed 166,706 shares of common stock (par $1) to be offered for subscription by common stockholders of record April 24 at rate of one share for each 10 shares then held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriter**—None.

★ **Southwestern Virginia Gas Service Corp.**
April 18 (letter of notification) $30,000 of 5½% debentures, series C, due Feb. 1, 1976. **Price**—95% of principal amount. **Proceeds**—For working capital. **Office**—Martinsville, Va. **Underwriters**—Bioren & Co., Philadelphia, Pa., and C. T. Williams & Co., Inc., Baltimore, Md.

● **Standard Coil Products Co., Inc.**
March 17 filed 486,858 shares of common stock (par $1), being offered in exchange for common stock of General Instrument Corp. on basis of four Standard shares for each five General shares. Offer will be consummated if holders of 85% of General shares tender their stock in exchange on or before May 14. **Dealer-Managers**—F. Eberstadt & Co., Inc., and Hirsch & Co., both of New York. Statement effective April 15.

Standard Factors Corp., N. Y.
April 11 (letter of notification) $250,000 of 5% subordinated debentures due Dec. 31, 1957 and 10,000 shares of common stock (par $1) offered initially to stockholders. **Price**—For each $1,000 debenture, $950; and for each common share, $3.50. **Proceeds** — For working capital. **Office**—270 Madison Avenue, New York 16, N. Y. **Underwriter**—None.

★ **Standard Oil Co. (Ohio)**
April 24 filed $2,025,000 interests in the Sohio Employees Investment Plan together with 30,000 common and 6,750 preferred shares of the company which may be purchased pursuant to the terms of the plan.

★ **Stanley Works, New Britain, Conn.**
April 22 (letter of notification) 6,000 shares of common stock (par $25). **Price** — Approximately $50 per share. **Proceeds** — For working capital. **Office**—Lake Street, New Britain, Conn. **Underwriter**—None.

★ **Sun Oil Co.**
April 29 filed 13,000 memberships in the stock purchase plan for employees of company and its subsidiaries, together with 96,000 shares of common stock. In addition, 169,262 shares of outstanding stock to be offered "for possible public sale" by 11 selling stockholders. **Underwriter**—None.

● **Superior Plywood Corp., Crescent City, Calif.**
March 17 filed 1,775 shares of class A voting common stock (par $10), 295 shares of class B non-voting common stock (par $5,000) and 8,980 shares of 6% cumulative preferred stock (par $100), of which 1,475 class A shares and 295 class B shares are to be offered in units of five shares of class A and one of class B at $5,050 per unit (subscribers must surrender $2,500 par value of Standard Veneer & Timber Co. preferred stock in partial payment); 300 class A shares to be offered in exchange for Standard common stock on a share-for-share basis; and all of 8,980 shares of preferred stock for cash at par or in exchange for Standard stock. **Proceeds**—To purchase site for plywood plant, to repay loan and for working capital. **Business**—Operator of green veneer plant. **Underwriter**—None.

Television & Radar Corp., L. I. City, N. Y.
April 18 (letter of notification) 300,000 shares of common stock (par 1 cent). **Price**—At market (approximately 55 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Tellier & Co.

Texas Co.
April 18 filed $30,510,000 of participations under the Employees Savings Plan together with 526,034 shares of capital stock (par $25) which may be required by the Trustee under the Plan.

● **Texas Electric Service Co., Ft. Worth, Tex. (5/6)**
March 26 filed $8,000,000 of first mortgage bonds due 1982 and $5,000,000 of sinking fund debentures due 1977. **Proceeds** — To repay short-term borowings and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Union Securities Corp.; Hemphill, Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp. **Bids**—To be received up to noon (EDT) on May 6. Statement effective April 23.

Torrington Water Co., Torrington, Conn.
March 18 (letter of notification) 3,174 shares of capital stock (par $25). **Price**—At approximately $27 per share. **Proceeds**—To Muriel Alvord, et al. **Underwriter**—Wood, Struthers & Co., New York.

Tri-State Telecasting Corp., Chattanooga, Tenn.
Jan. 21 filed 20,000 shares of common stock (no par) and 2,000 shares of 5% cumulative preferred stock (par $100) to be sold in units of one preferred share and 10 common shares. **Price**—$200 per unit. **Proceeds**—For new equipment and working capital. **Underwriter**—None. Statement effective March 25.

Union Oil Co. of California (5/7)
April 17 filed $35,000,000 of convertible debentures due 1972. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Dillon, Read & Co. Inc., New York.

U. S. Manganese Corp., Phoenix, Ariz.
April 1 (letter of notification) 17,500 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To Greenfield & Co., et al. **Office**—610 Heard Bldg., Phoenix, Ariz. **Underwriter**—None, but Greenfield & Co. will act as broker.

Utah Home Fire Insurance Co.
April 15 (letter of notification) 10,000 shares of common stock (par $10) to be offered first to common stockholders for subscription. **Price**—$20 per share to stockholders; approximately $25.75 per share to public. **Proceeds**—To enlarge company's operations as an insurance carrier. **Office**—47 West South Temple, Salt Lake City 1, Utah.

Victoreen Instrument Co., Cleveland, Ohio
March 28 filed 90,000 shares of common stock (par $1), of which 60,000 shares will be publicly offered and 30,000 shares to three non-selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Underwriters**—Barrett Herrick & Co., Inc., New York, and A. H. Vogel & Co., Detroit, Mich.

★ **Weisfield's, Inc., Seattle, Wash.**
April 17 (letter of notification) 5,184 shares of common stock. **Price**—$54.25 per share. **Proceeds**—For working capital. **Office** — 1511 Fifth Avenue, Seattle 1, Wash. **Underwriter**—None.

West Ohio Gas Co., Lima, Ohio
March 25 (letter of notification) 19,753 shares of common stock (par $5) being offered for subscription by common stockholders of record April 1 at rate of one new share for each 16 shares held; rights expire May 5. **Price**—$11.50 per share. **Proceeds**—For general corporate purposes. **Office**—319 West Market St., Lima, Ohio. **Underwriter**—None.

★ **Western Pacific Insurance Co., Seattle, Wash.**
April 21 (letter of notification) 13,018 shares of common stock. **Price**—$20 per share. **Proceeds**—To qualify company as a multiple line insurance carrier and to increase surplus. **Office**—Artic Bldg., 3rd and Cherry Sts., Seattle, Wash. **Underwriter** — Daugherty, Buchart & Cole, Seattle, Wash.

★ **Westview, Inc., Wilmington, Del.**
April 21 (letter of notification) 1,000 shares of capital stock to be offered as a unit at a total price of $32,000. **Proceeds**—To Artesian Water Co. **Office**—501 Newport and Gap Pike, Newport, Wilmington, Del. **Underwriter**—None.

● **Wisconsin Electric Power Co. (5/5)**
April 9 filed $12,500,000 of first mortgage bonds due 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; The First Boston Corp.; Union Securities Corp. and Harriman Ripley & Co., Inc. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on May 5.

Wisconsin Electric Power Co.
April 9 filed 702,486 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—None.

Worcester County Electric Co. (5/13)
April 15 filed $4,000,000 first mortgage bonds, series C, due 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable underwriters: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); The First Boston Corp.; Merrill Lynch, Pierce Fenner & Beane. **Bids**—Expected to be received up to noon (EDT) on May 13 at 441 Stuart Street, Boston 16, Mass.

Zeigler Coal & Coke Co., Chicago, Ill.
March 27 filed 66,125 shares of common stock, to be offered for subscription by common stockholders at rate of one new share for each five shares held. **Price**—At par ($10 per share). **Proceeds**—To repay bank loans. **Business**—Owner and lessor of coal properties. **Office**—21 E. Van Buren St., Chicago 5, Ill. **Underwirter**—None. Statement effective April 16.

Prospective Offerings

Aeroquip Corp.
Jan. 4, Don T. McKone, Chairman, announced that consideration was being given to the possibility of equity financing. On Feb. 18, stockholders voted to increase the authorized common stock to 1,000,000 from 750,000 shares, and to issue 37,500 shares as a 5% stock dividend. **Underwriter**—Watling Lerchen & Co., Detroit, Mich. **Proceeds**—For additional working capital.

★ **American Gas & Electric Co.**
April 30 company announced company plans to register with SEC on or about May 21 an issue of $20,000,000 sinking fund debentures and 170,000 additional shares of common stock. **Proceeds**—To be invested in equity securities of the operating subsidiaries of the company and used by them in connection with their construction program which will amount to about $319,000,000 in the three-year period ending Dec. 31, 1954.

American Telephone & Telegraph Co.
April 16 stockholders approved a proposal to authorize a new issue of not to exceed $550,000,000 of convertible debentures. Last issue of debentures was offered to stockholders at par without underwriting.

Arkansas Power & Light Co.
March 14 it was reported company plans sale in October of $12,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp., and Central Republic Co. (Inc.) (jointly); Lehman Brothers and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.

Atlantic Refining Co.
March 21, Robert H. Colley, President, said in the company's annual report that "the time may be coming when additional financing will be required to supplement retained earnings available for capital expenditures." The amount and timing of such financing cannot be presently announced. **Traditional Underwriter**—Smith, Barney & Co., New York.

★ **Baltimore & Ohio RR. (6/4)**
April 23 it was reported company plans issue and sale of $3,870,000 equipment trust certificates on or about June 4. Probable bidders: Halsey, Stuart & Co. Inc.; Bear, Stearns & Co.; Salomon Bros. & Hutzler.

Bell Telephone Co. of Pennsylvania
Jan. 2 it was announced that company's construction program for next three years calls for the expenditure of $247,000,000 of which about $81,700,000 will be spent in 1952. **Underwriters**—For bonds to be decided by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Union Securities Corp. (jointly); The First Boston Corp.

Boston Edison Co.
March 28 it was announced company plans to spend $56,000,000 in 1952, 1953 and 1954 for construction program, of which $32,000,000 would have to be raised from sale of securities. It is also expected to fund bank loans which will total $8,500,000 by June 30. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Goldman, Sachs & Co. (jointly); Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co., Inc.

California-Pacific Utilities Co.
Feb. 29 it was reported company expects to offer about $2,000,000 of debentures within the next two months. Proceeds will be used to pay for additions and improvements to property. **Traditional Underwriters** — First California Co., Inc., San Francisco, Calif.

★ **Canadian Palmer Stendel Oil Corp.**
April 18 it was reported that 1,820,857 shares of common stock are to be offered for subscription by stockholders of Palmer Stendel Oil Corp. on a 1-for-2 basis. **Price**—At par (25 cents per share). **Underwriter**—Burnham & Co., New York.

Central Hudson Gas & Electric Corp.
March 25 stockholders voted to increase authorized preferred stock (par $100) from 150,000 shares (130,300 shares outstanding) to 225,000 shares to enable company to meet future capital requirements. There are no immediate plans for sale of any additional preferred stock.
March 4 it was reported company plans the sale this Fall of about $5,500,000 first mortgage bonds. Latest bond financing was done privately in March, 1951 through Kidder, Peabody & Co.

★ **Central RR. of Georgia (5/14)**
April 23 it was reported company plans to issue and sell $2,325,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Bear, Stearns & Co.; Salomon Bros. & Hutzler.

Chicago, St. Paul, Minn. & Omaha Ry. (5/7)
Bids will be received by the company up to noon (CDT) on May 7 for the purchase from it of $990,000 equipment trust certificates to be dated June 1, 1952, and to mature annually from June 1, 1953 to 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

• Chicago & Western Indiana RR. (5/8)
April 5, the ICC approved issuance of $64,239,000 of general and collateral trust mortgage bonds due May 1, 1982; without competitive bidding. **Proceeds**—To pay at maturity $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and to retire outstanding $11,739,000 first and ref. mtge. bonds and the remainder used for capital improvements. **Underwriters**—The First Boston Corp. and Halsey, Stuart & Co. Inc.

Citizens Utilities Co.
April 14 it was announced stockholders will vote May 13 on increasing authorized common stock from 400,000 shares (par $1) to 2,000,000 shares (par 33⅓ cents) in order to provide for a 3-for-1 split-up of the present outstanding 283,729 shares of common stock and to permit the company to take advantage of any opportunities which may develop for property acquisitions requiring the issuance of common shares. **Traditional Underwriter**—Lee Higginson Corp., New York.

★ Cleveland Electric Illuminating Co.
April 22, Elmer L. Lindseth, President, announced that it will be necessary for the company to sell additional securities either later this year or early in 1953. Present plans are to sell either preferred or common stock, the choice depending upon relative market conditions at the time.

Columbus & Southern Ohio Electric Co.
March 7 it was announced company expects to enter the permanent financing market about the middle of 1952 with 150,000 to 200,000 shares of new common stock. **Proceeds**—For construction program. **Underwriter**—Dillon Read & Co., Inc., New York.

Connecticut Light & Power Co.
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952.

Consolidated Gas, Electric Light & Power Co. of Baltimore
Dec. 24 it was stated that company plans to issue and sell both stocks and bonds during 1952 to an amount sufficient to raise approximately $22,000,000. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. and Alex. Brown & Sons (jointly). The First Boston Corp., Alex. Brown & Sons and John C. Legg & Co (jointly) handled latest common stock financing, while White, Weld & Co. handled last preferred stock sale. **Proceeds**—For new construction. **Offering**—Expected in March or April.

• Consolidated Natural Gas Co.
April 18 company applied to SEC for approval of certain charter amendments to be voted upon by stockholders May 20, providing for an increase of authorized capital stock from 3,274,031 shares to 3,683,285 shares. It is planned to offer the additional 409,254 shares for subscription by stockholders at rate of one new share for each eight shares held. **Price**—To be filed by amendment. **Proceeds** — To purchase securities of operating subsidiaries, which will use the funds for construction and other purposes. **Underwriter**—None.

Creameries of America, Inc.
April 14, G. S. McKenzie, President, stated that the company may do some long-term borrowing in about two months to finance expansion program. **Traditional Underwriters** — Kidder, Peabody & Co. and Mitchum, Tully & Co.

Crown Cork & Seal Co., Inc.
April 8 it was announced stockholders will vote April 24 on increasing authorized common stock from 1,300,000 shares to 2,000,000 shares. There are no plans to sell any additional shares at this time.

Denver & Rio Grande Western RR. (5/1)
Bids will be received by the company up to 1 p.m. (CDT) on May 1 for the purchase from it of $4,440,000 equipment trust certificates, series R, to be dated June 1, 1952, and to mature semi-annually to and including June 1, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

Drewrys Ltd., U. S. A., Inc.
April 4 it was reported company may later this month consider possible financing. **Underwriters**—Probably A. C. Allyn & Co., Inc., Chicago, and Bear, Stearns & Co., New York.

• El Paso Electric Co.
April 24 the FPC authorized the company to issue up to $2,500,000 in short-term promissory notes to mature not later than Dec. 31, 1953. Proceeds will be used to reimburse the company's treasury in part for construction expenditures heretofore made, and to provide a portion of the funds required in the interim to finance its construction program for 1952, pending permanent financing prior to the maturity date of the notes.

Empire District Electric Co.
April 8 stockholders increased authorized common stock from $550,000 shares to 750,000 shares and voted to change the limitation of the unsecured indebtedness from 10% to 20%. New financing may be necessary in connection with the company's plans to spend in the next three years about $14,000,000 for new facilities. **Underwriters** — Probably The First Boston Corp.; G. H. Walker & Co.

First National Bank of Portland
March 10 stockholders approved sale of 200,000 additional shares of common stock (par $12.50) to common stockholders of record April 30 at rate of one new share for each five shares held; rights to expire on May 29. Unsubscribed shares would be purchased by Transamerica Corp., which owns a controlling stock interest in the bank. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Florida Power Corp.
Jan. 11 it was announced that additional financing will be necessary to complete the company's construction program which is expected to cost about $28,000,000 and it is contemplated that new capital needed will be obtained from the sale of common stock and first mortgage bonds. Company has borrowed $4,000,000 under a bank credit recently arranged which provides for short-term bank borrowings of not more than $10,000,000. Previous bond financing was done privately. Common stock may be offered to common stockholders, with Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane acting as agents.

Florida Power & Light Co.
April 16 it was announced stockholders will vote May 12 on approving the creation of an issue of up to 350,000 shares of preferred stock (par $100), to be sold from time to time to finance the company's construction program. **Traditional Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Fort Worth & Denver City Ry.
March 25 it was announced stockholders will vote May 27 on approving issuance of $17,000,000 of 30-year first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Salomon Bros. & Hutzler.

General Fuse Co., South River, N. J.
Jan. 28 Nelson O. Burt, President, announced company is discussing the marketing of unsubscribed 5½% convertible preferred stock with several underwriters. A total of 50,000 shares were recently offered to common stockholders at par ($5 per share).

General Public Utilities Corp.
Feb. 6 it was reported the corporation is expected to sell this summer approximately 530,000 additional shares of common stock. Stockholders on April 7 rejected a proposal to authorize issuance of common stock without requiring preemptive rights. **Underwriters**—If stock is sold at competitive bidding, probable bidders may include: Lehman Brothers; The First Boston Corp. In July, 1951, Merrill Lynch, Pierce, Fenner & Beane acted as clearing agent for an offering of common stock to stockholders.

Georgia Power Co. (7/8)
Feb. 8 it was announced company plans issuance and sale of $20,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected on July 8.

Glass Fibres, Inc.
April 7 stockholders voted to increase authorized common stock from 1,000,000 shares (approximately 938,000 shares outstanding) to 1,250,000 shares to provide additional stock for future expansion needs. **Traditional Underwriter**—McCormick & Co., Chicago, Ill.

Globe-Wernicke Co.
March 26 stockholders increased authorized common stock from 300,000 shares (par $5) to 600,000 shares (par $7), placing the company in a position to consider from time to time stock dividends and the giving of stock rights or warrants to present stockholders. **Underwriters**—May include Westheimer & Co., Cincinnati, O. Previous public financing handled by W. E. Hutton & Co. and W. D. Gradison & Co., also of Cincinnati.

Gulf Power Co. (6/24)
Feb. 8 it was announced company plans to issue and sell $7,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Union Securities Corp.; Equitable Securities Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Drexel & Co. (jointly). **Bids**—Expected to be opened on or about June 24.

Idaho Power Co.
Feb. 27 T. E. Roach, President, announced that the company's present plans consist of the sale this summer of about 225,000 additional shares of common stock (par $20), but no preferred stock. **Price**—At a minimum of $35 per share net to company. **Underwriters** — Latest common stock financing in April, 1949, was handled by Blyth & Co., Inc.; Lazard Freres & Co.; and Wegener & Daly Corp. **Proceeds**—To repay bank loans and for construction program.

Illinois Bell Telephone Co. (7/1)
April 9 it was announced company intends to offer 682,454 shares of its common stock to shareholders for subscription on or before July 1, 1952. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co. (owner of 99.31% of Illinois Bell stock). **Underwriter**—None.

Illinois Central RR.
April 9 ICC authorized company to issue and sell $25,000,000 4¼% consolidated mortgage bonds, series D, due 1982, without competitive bidding. **Proceeds**—To meet 1952-1955 bond maturities and to replace depleted working capital. It is expected the bonds will be placed privately.
April 10 it was announced stockholders will vote May 21 on increasing the authorized common stock from 1,390,511 shares (par $100) to 3,500,000 shares (no par) in order to facilitate possible future financing by means of convertible debentures.

• International Bank for Reconstruction and Development ("World Bank")
April 29 it was announced bank will issue and sell $50,000,000 of 23-year bonds about the middle of May. **Underwriters**—Morgan Stanley & Co. and The First Boston Corp.

Kansas City Power & Light Co.
Jan. 4 company announced that it plans to issue and sell in 1952 about $12,000,000 principal amount first mortgage bonds (this is in addition to present preferred and common stock financing. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

Kansas Gas & Electric Co. (6/10)
Feb. 29, Murray Gill, President, announced that company will probably bring an offering of securities to market in the next few months, but the amount is still undecided. Investment groups had been said to have been forming on a reported $12,000,000 in bonds and 200,000 shares of common stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Lehman Brothers; Union Securities Corp. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); The First Boston Corp. Probable bidders for stock: Union Securities Corp.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp. **Registration**—Expected soon. **Bids** — Tentatively expected on bonds up to noon and on stock up to 10:30 a.m. (EST) on June 10.

Kentucky Utilities Co.
Dec. 10 it was reported company plans to issue and sell in April or May $12,000,000 30-year first mortgage bonds, series D. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Lone Star Gas Co.
April 1 the FPC authorized the company to acquire additional properties at a cost of $5,598,129 and to build an additional 69.5 miles of transmission line at a cost of $4,010,200. It is also planned to spend about $31,000,000 in 1952 for additions to plant. Previous financing was done privately.

Maracaibo Oil Exploration Corp.
April 12 it was announced stockholders will vote May 5 on increasing the authorized capital stock from 500,000 to 600,000 shares. No financing presently planned. No underwriting was involved in offer to common stockholders last October.

McCarthy (Glenn H.), Inc., Houston, Tex.
March 18 it was reported early registration is expected of 10,000,000 shares of common stock. **Price**—To be supplied by amendment (probably at $2 per share). **Underwriter**—B. V. Christie & Co., Houston, Texas.

Metals & Chemicals Corp., Dallas, Tex. (5/15)
March 24 it was reported company plans registration of 162,500 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected at $3 per share). **Proceeds**—For new mill and equipment and working capital. **Underwriter** — Beer & Co., Dallas, Texas.

Middle East Industries Corp., N. Y.
Oct. 31 it was announced company plans to expand its capitalization in the near future and to register its securities with the SEC preliminary to a large public offering, the funds to be used to build new industrial projects in Israel.

Minabi Exploration Co., Houston, Tex.
March 21 it was reported early registration is expected of 125,000 shares of common stock. **Proceeds**—To go to certain selling stockholders. **Underwriter** — Moroney, Beissner & Co., Houston, Tex.

Mississippi Power & Light Co.
March 14 it was reported company plans to issue and sell in November an issue of $8,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

Continued on page 45

Continued from page 45

★ National Cylinder Gas Co., Chicago, Ill.
April 24 stockholders authorized an increase in the common stock (par $1) from 1,500,000 to 2,000,000 shares. Charles J. Haines, President, said "the company has no present plans for the issuance of any additional shares of common stock, but it is desirable to have them for further expansion, if and when deemed wise by the board of directors."

National Gypsum Co.
March 25 stockholders voted on a proposal to increase the authorized common stock from 2,500,000 to 5,000,000 shares in order "to prepare company for the opportunities and requirements of the coming years." No immediate plans have been made for the issuance of any additional common stock. **Traditional Underwriters** — W. E. Hutton & Co., Cincinnati, Ohio, and Blyth & Co., Inc., New York.

★ National Steel Corp.
April 25 company revealed it plans to issue and sell during the latter part of May $55,000,000 first mortgage bonds due 1982. **Proceeds**—To refund $40,000,000 first collateral mortgage bonds due 1965 and for working capital. **Underwriters**—Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc., and The First Boston Corp.

National Supply Co.
April 2 stockholders voted to increase the authorized indebtedness from $20,000,000 to $50,000,000. There are no immediate plans for sale of any securities, but company may start using long-term bank loans to secure working capital instead of relying on short-term loans.

Nevada Natural Gas Pipe Line Co., Las Vegas, Nevada
Feb. 8 company applied to FPC for authority to construct a 114-mile pipeline from near Topock, Ariz., to Las Vegas, Nev., at an estimated cost of $2,400,880, to be financed by sale of $1,600,000 first mortgage bonds, $500,000 preferred stock and $402,500 common stock.

New England Power Co.
Jan. 11 company received from SEC authority to increase authorized bank borrowings from $12,000,000 to $16,000,000. A major portion of this indebtedness may be financed through issuance and sale of $7,500,000 first mortgage bonds this year and the sale of additional common stock to parent (New England Electric System). **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and White, Weld & Co (jointly).

New England Telephone & Telegraph Co.
Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken in 1952 to repay about $43,000,000 short-term bank borrowings. **Underwriters**—For bonds may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. In case of common stock financing there will be no underwriting.

New Jersey Power & Light Co.
April 8 it was reported company plans tentatively to issue and sell $3,200,000 of bonds, $1,000,000 of preferred stock and $400,000 of common stock (latter to be sold to General Public Utilities Corp., parent). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); Kidder, Peabody & Co.; Smith, Barney & Co.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler.

Niagara Mohawk Power Corp.
March 22 it was announced stockholders will vote on May 6 to increase authorized common stock by 1,500,000 shares (11,094,663 shares presently outstanding). This would place company in a flexible position with respect to formulation of future finance programs. Underwriters—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

• Northern Indiana Public Service Co.
March 14, Indiana P. S. Commission authorized the company to issue and sell this year $10,000,000 of first mortgage bonds, series G. **Proceeds**—For construction program estimated to cost about $20,000,000 in 1952 and $21,000,000 in 1953. **Underwriters**—Central Republic Co. (Inc.), who arranged private placement.

Northern States Power Co. (Minn.)
April 17 it was reported company plans to issue and sell about May 15 $21,500,000 of first mortgage bonds due 1982 and about 1,100,000 shares of common stock (the latter first to stockholders on a 1-for-10 basis). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders for stock and bonds, Smith, Barney & Co., The First Boston Corp., Glore, Forgan & Co., Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp., Union Securities Corp., Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). Probable bidder on bonds only, Halsey, Stuart & Co. Inc.

Northwest Natural Gas Co.
Jan. 7 company filed amended application with FPC in connection with its plan to build a natural gas transmission system in the Pacific Northwest to transport gas from Canada to markets in Idaho, Washington and Oregon, with a portion to be returned to Canada for use in British Columbia. The estimated overall cost of the project is approximately $92,000,000. **Underwriter**—Morgan Stanley & Co., New York. **Financing**—Not expected until after Provincial elections in April.

Oklahoma Natural Gas Co.
April 14 it was reported company plans sale of preferred stock (par $50). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co., Harriman Ripley & Co. Inc. and Lehman Brothers (jointly); Stone & Webster Securities Corp.; Shields & Co.

Pennsylvania Electric Co.
Jan. 5 it was announced that company plans to spend about $26,000,000 for expansion in 1952, to be financed, in part, by the sale of about $9,000,000 first mortgage bonds, $4,500,000 of preferred stock and $4,500,000 of common stock (the latter issue to parent, General Public Utilities Corp). **Underwriters**—For bonds and preferred stock to be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Union Securities Corp. and White Weld & Co. (jointly); Kuhn, Loeb & Co.; A. C. Allyn & Co., Inc.; Equitable Securities Corp.; Shields & Co and R. W. Pressprich & Co. (jointly). (2) for preferred—Smith, Barney & Co. and Kidder, Peabody & Co (jointly); W. C. Langley & Co. and Glore, Forgan & Co (jointly); Kuhn, Loeb & Co.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. **Offering**—Expected in mid-year.

Permian Basin Pipeline Co., Chicago, Ill.
April 1 company applied to FPC for authority to construct a 384-mile pipeline system from west Texas and eastern New Mexico to the Panhandle area of Texas at an estimated cost of $58,180,000. Probable underwriters for convertible notes and stock; Stone & Webster Securities Corp.; and Glore, Forgan & Co., both of New York.

Philco Corp.
March 31 it was announced that stockholders will vote June 6 on authorizing an increase in indebtedness to $25,000,000, the funds to be used for capital expenditures. **Traditional Underwriter** — Smith, Barney & Co., New York.

Potomac Electric Power Co.
April 16, R. R. Dunn, President, announced company plans to raise about $40,000,000 of new money in connection with its $62,000,000 construction program in the years 1952, 1953 and 1954. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly); First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co. and Blyth & Co. Inc. (jointly); Dillon, Read & Co. Inc.; Harriman Ripley & Co.. Inc.

Pressed Steel Car Co., Inc.
April 17 stockholders approved a proposal to increase the authorized common stock from 1,280,000 shares to 3,280,000 shares (1,045,500 shares presently outstanding). The new shares would be issued when directors decide, in connection with diversification program. No immediate financing is planned. **Traditional Underwriter**—Kuhn, Loeb & Co., New York.

Public Service Co. of New Hampshire
March 6 it was announced company intends, in May or June, 1952, to issue $4,000,000 of first mortgage bonds and $2,500,000 of preferred stock, and toward the end of the year to issue sufficient common shares to raise approximately $4,000,000. **Proceeds** — To retire bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); White, Weld & Co.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly). (2) For preferred stock — The First Boston Corp.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc. (3) For common stock—Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. and Lehman Brothers (jointly).

Southern Colorado Power Co.
April 4 it was announced stockholders will on May 9 vote on increasing the authorized common stock from 750,000 shares (no par) to 1,000,000 shares (par $7.50). Common stock financing in 1951 was not underwritten.

Southern Co.
Feb. 8 it was announced company is planning to issue and sell later this year additional common stock. **Proceeds**—To increase investments in subsidiaries in furtherance of their construction programs. **Underwriters**—May be determined by competitive bidding. Probable bidders: Lehman Brothers; Morgan Stanley & Co.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc.

Southern Natural Gas Co.
March 3 company filed with FPC a $76,000,000 expansion program to bring natural gas into its Alabama, Georgia and Mississippi service areas.

Tennessee Gas Transmission Co.
March 28 stockholders approved an increase in authorized preferred stock from 600,000 shares (all issued) to 1,000,000 shares to provide for future financing. It is planned to issue and sell in June 100,000 of the new preferred shares and 250,000 shares of common stock. **Proceeds**—For 1952 expansion program estimated to cost about $59,000,000. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., New York.

Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia The project is estimated to cost $184,989,683. **Underwriter**—Kidder, Peabody & Co., New York.

Toledo Edison Co.
Nov. 20 it was reported that the company expects to spend approximately $46,500,000 for expansion in 1952 to 1955, and it has been stated that no further financing is contemplated before late 1952, when about 400,000 shares of common stock is anticipated. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley & Co.; Lehman Brothers and Smith, Barney & Co (jointly).

Transcontinental Gas Pipe Line Corp.
March 14 it was reported company plans issuance and sale this Fall of an issue of convertible preferred stock. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., New York.

United Gas Corp.
Feb. 6 the SEC ruled that 3,165,781 shares of common stock (approximately 27% of total outstanding) must be disposed of by Electric Bond & Share Co. **Underwriters**—If competitive, probable bidders may include Lehman Brothers.

Utah Power & Light Co.
March 7 SEC authorized company to borrow up to $10,000,000 from banks and use the money for new construction. It is intended to repay the bank loans from the proceeds of permanent financing in the fall. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. (2) For common stock—Blyth & Co., Inc., W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp. **Registration**—Of stock, probably in August, and of bonds in September.

Virginia Electric & Power Co.
Dec. 12 it was announced that company expects to spend $40,000,000 or more for new construction in 1952, of which about $30,000,000 may be raised through new financing. On Feb. 15 it was reported directors have approved plans to issue and sell in June approximately 495,000 shares of common stock (first to stockholders). A bond sale is expected in the fall. **Underwriters**—For stock, probably Stone & Webster Securities Corp. For bonds, to be determined by competitive bidding, with the following probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; White, Weld & Co.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly).

★ Waltham Watch Co.
April 25 it was announced stockholders of record April 24 will be mailed rights on May 5 to subscribe for additional shares of common stock (represented by voting trust certificates), at the rate of one new share for each three shares held (with an oversubscription privilege). Rights will expire on June 11. State Street Trust Co., Boston, Mass., is subscription agent. **Price**—At par ($1 per share). **Underwriter**—None.

Washington Gas Light Co.
Jan. 12 reported that company is considering plans to raise about $4,500,000 from the sale of additional common stock to its stockholders (there are presently outstanding 734,400 shares). **Underwriters**—The First Boston Corp. and Johnston, Lemon & Co. handled the offering last year to stockholders. **Proceeds**—Together with bank loans and other funds to take care of proposed $6,000,000 expansion program.

Washington Water Power Co.
Jan. 9 company applied to the SEC for authority to make bank borrowings of $40,000,000, the proceeds to be used to finance contemporarily, in part, the company's construction program. Permanent financing expected later this year. Probable bidders: (1) For stock or bonds: Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); (2) for bonds only: Halsey, Stuart & Co. Inc.

Western Light & Telephone Co., Inc.
April 11 stockholders increased authorized common stock from 400,000 to 500,000 shares, the additional shares to be issued as funds are needed for new construction. **Dealer-Managers**—Harris, Hall & Co. (Inc.), Chicago, Ill., and The First Trust Co. of Linclon. Neb.

Continued from page 15

Our Reporter's Report

tender made. So that here, at least, no one group was in the position of "holding an umbrella" over the deal.

The successful syndicate bid 101.409 for a 3¼% coupon and proceeded to reprice the bonds for reoffering at 101.931 to yield 3.15%.

Early reports indicated that buyers were a bit on the sluggish side as books were opened this morning.

American Can Co.

Stockholders of American Can Co. cleared the way for one of the biggest industrial equity offerings in recent months when they approved the stock split-up proposals and also the plan for offering 989,599 shares on "rights."

Common holders will get the right to subscribe for the additional stock in the ratio of one new share for each 10 shares held after the split-up becomes effective.

Although a "rights" deal bankers will be in the picture in a "standby" capacity to absorb any shares not taken on subscription.

Looking Ahead

Next week's major undertaking will be the flotation, via negotiation, of Chicago & Western Indiana Railroad's $64,329,000 of first mortgage collateral sinking fund bonds.

Proceeds will finance retirement of outstanding first and refunding 4s on July 1 next and provide the road with cash for capital expenditures.

Other corporate debt issues on tap next week include: $12,500,000 of first mortgage bonds of Wisconsin Electric Power Co.; $20,000,000 debentures of New Jersey Bell Telephone; $5,000,000 debentures and 30,000 shares of preferred of Southern Union Gas Co.; $5,000,000 debentures of Texas Electric Service Co.; $35,000,000 debentures of Union Oil Co. of California, plus a number of equity issues.

All, in all, next week looks like a fairly busy period.

SITUATION WANTED

Trader Available

10 years unlisted experience, maintaining markets and servicing salesmen. Salary and percentage desired. Box B 51, Commercial and Financial Chronicle, 25 Park Place, New York 7.

MEETING NOTICE

The New York Central Railroad Company

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Albany, N. Y., March 25, 1952.

The Annual Meeting of the Stockholders of The New York Central Railroad Company, for the election of Directors and of three Inspectors of Election and the transaction of such other business as may be lawfully brought before the meeting, will be held in the Ball Room of the Hotel Ten Eyck, 87 State Street, in the City of Albany, N. Y., on Wednesday, May 28, 1952, at 12:00 o'clock Noon, Eastern Daylight Saving Time.

One of the purposes of said meeting is considering, and acting upon the adoption of, a joint agreement for the merger into said Company of West Shore Railroad Company, New Jersey Junction Railroad Company, New York and Fort Lee Railroad Company, The Wallkill Valley Railroad Company, The Toledo and Ohio Central Railway Company, The Lake Erie, Alliance & Wheeling Railroad Company and The Federal Valley Railroad Company, upon the terms and conditions set forth in said agreement, and taking such other action as may be appropriate incident to such merger.

Stockholders of record at 3:00 o'clock P.M. on April 25, 1952, will be entitled to vote at such meeting.

By order of the Board of Directors.

JOSEPH M. O'MAHONEY, Secretary.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Harmon W. Schuldt is now with Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with Denton & Co.

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A regular quarterly dividend of seventy-five cents (75c) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable June 10, 1952, to the holders of record at the close of business May 12, 1952.

W. J. ROSE, Secretary.

April 30, 1952.

AVCO MANUFACTURING CORPORATION — *"A Family of Famous Names"*

The Board of Directors of Avco Manufacturing Corporation has declared a quarterly dividend of 15 cents a share on the Common Stock payable June 20, 1952, to stockholders of record May 29, 1952.

R. S. Pruitt, Secretary

420 Lexington Ave.
New York 17, N. Y.
April 25, 1952

AMERICAN-Standard

PREFERRED DIVIDEND
COMMON DIVIDEND

A quarterly dividend of $1.75 per share on the Preferred Stock has been declared, payable June 1, 1952 to stockholders of record at the close of business on May 23, 1952.

A dividend of 25 cents per share on the Common Stock has been declared, payable June 24, 1952 to stockholders of record at the close of business on June 3, 1952.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

JOHN E. KING
Vice President and Treasurer

ALUMINIUM LIMITED

DIVIDEND NOTICE

On April 24, 1952, a quarterly dividend of one dollar per share in U.S. currency was declared on the no par value shares of this Company payable June 5, 1952, to shareholders of record at the close of business May 5, 1952.

Montreal — *April 24, 1952* — JAMES A. DULLEA, Secretary

Aeroquip CORPORATION

JACKSON, MICHIGAN, U. S. A.

At a meeting of the Board of Directors held April 21, 1952, a regular quarterly dividend of five cents ($0.05) was declared on the 787,500 shares of the Corporation's common stock presently outstanding, payable June 2, 1952, to shareholders of record at the close of business May 15, 1952.

F. W. CORWIN
Secretary

April 21, 1952

With State Bond & Mtge.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Clayton B. Kramer is now with State Bond & Mortgage Co., 26½ North Minnesota Street.

DIVIDEND NOTICES

DIVIDEND NO. 50

Hudson Bay Mining and Smelting Co., Limited

A Dividend of one dollar ($1.00) (Canadian) per share has been declared on the Capital Stock of this Company, payable June 9, 1952, to shareholders of record at the close of business on May 9, 1952.

H. E. DODGE, *Treasurer.*

The American Tobacco Company INCORPORATED

111 Fifth Avenue — New York 3, N. Y.

187TH COMMON DIVIDEND

A regular dividend of Seventy-five Cents (75¢) per share has been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on June 2, 1952, to stockholders of record at the close of business May 9, 1952. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

April 29, 1952

Berkshire FINE SPINNING ASSOCIATES INC

The Board of Direcors of the Berkshire Fine Spinning Associates, Inc. has declared a dividend of 25 cents per share on the Common Stock, payable June 2, 1952, to stockholders of record May 16, 1952.

MALCOLM G. CHACE, JR.
President

April 24, 1952

Borden's

DIVIDEND No. 169

An interim dividend of sixty cents (60¢) per share has been declared on the capital stock of *The Borden Company*, payable June 2, 1952, to stockholders of record at the close of business May 9, 1952.

E. L. NOETZEL
Treasurer

April 29, 1952

EATON MANUFACTURING COMPANY

Cleveland 10, Ohio

DIVIDEND NO. 118

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Fifty Cents (50¢) per share on the 1,792,520 $2.00 par value common shares of the Company issued and outstanding, payable May 24, 1952, to shareholders of record at the close of business May 6, 1952.

H. C. STUESSY, *Secretary*

Declared on April 25, 1952

CREPED PAPERS • GIFT WRAPPINGS • MARKING DEVICES • GUMMED PAPERS • TAGS • SEALS • LABELS • JEWELRY BOXES • COMMERCIAL BOXES

DIVIDEND NOTICES

Debenture: The regular quarterly dividend of $2.00 per share on the Debenture Stock will be paid June 3, 1952, to stockholders of record May 12, 1952.

"A" Common and Voting Common: A quarterly dividend of 30 cents per share on the "A" Common and Voting Common Stocks will be paid June 3, 1952, to stockholders of record May 12, 1952.

A. B. Newhall, *Treasurer*

Dennison Manufacturing Co.

Framingham
Mass.

108th year

DIVIDEND NOTICES

United States Pipe and Foundry Company

Burlington, N. J., April 24, 1952

The Board of Directors this day declared a quarterly dividend of seventy-five cents (75¢) per share on the outstanding Common Stock of the Company, payable June 20, 1952, to stockholders of record on May 29, 1952.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary*

HARBISON-WALKER REFRACTORIES COMPANY

Pittsburgh — Pennsylvania

April 25, 1952

Board of Directors has declared for quarter ending June 30, 1952 DIVIDEND of ONE and ONE-HALF (1½%) PER CENT or $1.50 per share on PREFERRED STOCK, payable July 21, 1952 to shareholders of record July 7, 1952. Also declared a DIVIDEND of FIFTY CENTS per share on the COMMON STOCK, payable June 2, 1952 to shareholders of record May 12, 1952.

G. F. CRONMILLER, JR.
Vice President and Secretary

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 135 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable June 2, 1952, to stockholders of record at the close of business on May 5, 1952.

GERARD J. EGER, Secretary

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

30 cents per share on its Common Stock ($15 par)

all dividends payable June 1, 1952, to stockholders of record May 15, 1952.

EDWARD L. SHUTTS,
President.

April 28, 1952

NATIONAL DISTILLERS PRODUCTS CORPORATION

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 50c per share on the outstanding Common Stock, payable on June 2, 1952, to stockholders of record on May 12, 1952. The transfer books will not close.

THOS. A. CLARK
Treasurer

April 24, 1952.

pf PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

A regular quarterly dividend of 50 cents per share on the common stock ($10 par value) payable June 2, 1952, to stockholders of record May 15, 1952, was declared by the Board of Directors on April 30, 1952.

B. C. REYNOLDS, *Secretary*

DIVIDEND NOTICES

WOODALL INDUSTRIES INC.

A regular quarterly dividend of 31¼c per share on the 5% Convertible Preferred Stock has been declared payable June 2, 1952, to stockholders of record May 15, 1952.

A regular quarterly dividend of 30c per share on the Common Stock has been declared payable May 29, 1952, to stockholders of record May 15, 1952.

M. E. GRIFFIN,
Secretary-Treasurer

UGI

A quarterly dividend of 35c per share on the Capital Stock, par value $13.50 per share, has been declared, payable June 28, 1952, to stockholders of record May 29, 1952.

THE UNITED GAS IMPROVEMENT CO.

JOHNS HOPKINS, Treasurer

April 22, 1952 — Philadelphia, Pa.

PEPPERELL FABRICS

PEPPERELL MANUFACTURING COMPANY

Boston, April 24, 1952

A regular quarterly dividend of Seventy-five Cents (75¢) per share has been declared payable May 15, 1952, to stockholders of record at the close of business May 8, 1952.

Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agents.

PAUL E. CROCKER, *Secretary*

160 State Street, Boston, Mass.

SUBURBAN PROPANE GAS CORPORATION

REGULAR QUARTERLY DIVIDEND NO. 25 DECLARED

Common Stock — 25¢ per share

Payable May 15, 1952 to stockholders of record May 1, 1952.

R. GOULD MOREHEAD,
Treasurer

April 23, 1952

SOCONY-VACUUM OIL COMPANY

INCORPORATED

Dividend No. 165 — April 29, 1952

The Board of Directors today declared a quarterly dividend of 50¢ per share on the outstanding capital stock of this Company, payable June 10, 1952, to stockholders of record at the close of business May 9, 1952.

W. D. BICKHAM, *Secretary*

Southern Railway Company

THE SOUTHERN SERVES THE SOUTH

DIVIDEND NOTICE

New York, April 29, 1952.

A dividend of One Dollar ($1.00) per share on 1,298,200 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1951, payable on June 14, 1952, to stockholders of record at the close of business on May 15, 1952.

J. J. MAHER, Secretary.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Peg the latest outpouring of the Congressional Joint Economic Committee as a somewhat ineffective and highbrow brief for a tougher section 102 of the Internal Revenue Code.

This committee engaged Dr. James K. Hall of the University of Washington to report on "The Taxation of Corporate Surplus Accumulations." Dr. Hall was required to consider primarily only the effect of "102" on total investment. His own remarks hinted at least a subconscious belief that there were other considerations, and a somewhat more platonic evaluation of the usefulness or lack thereof, particularly as an artificial element in corporate management.

Dr. Grover W. Ensley, however, the young and enthusiastic economic planner who heads the staff of the Joint Economic Committee, summarized the report as indicating that Section 102 was of concern only to a limited number of corporations, that it is necessary, that with the higher tax rates of recent years the penalty rates should be raised, that the Treasury is "cautious" in administering it, and that the only answer to personal surtax avoidance lies in "complete integration" of the corporation and individual income taxes.

About the only party which will generally agree with Dr. Ensley as he interprets Dr. Hall, is the Treasury, which favors a tougher "102." The Congressional conservatives who dominate the taxing committees are against this and view "102" as necessary only to prevent a company from "getting away with murder" via surplus accumulation. These men oppose a higher rate and a tougher administration.

* * *

Some of the trickiest punches in the political book are being used in the current battle over public housing.

First of these punches was the amendment which Rep. Ralph W. Gwinn (R., N. Y.) got across in the House in connection with the appropriation for public housing. It provided that none of the "annual contributions" made by Public Housing Administration to cities to support local public housing shall be used for any project which has as a tenant any member of an organization designated as subversive by the Attorney-General.

This, tricky enough in itself, was brilliant because it knocked down the guards of a couple of the slickest stances ever put across by the public housing boys. In legal and formal theory, the Federal Government makes "loans" for local public housing projects and "annual contributions" to subsidize "the low-rent character" of public housing. Or the loans are borrowed in the market, subject to the government guarantee.

In economic fact, however, the "annual contributions" are equivalent to the debt service on the loans, so that the Federal Government pays over to the municipality the money the city pays back to service the loan.

A further tricky stunt was the provision in the 1949 housing act that these contributions should be made irrevocable, and pledged the full faith of the United States behind them. The public housers wanted this amendment to sew up with investors the true character of these undertakings as Federal, operated through the convenience of a more or less dummy city "housing authority." The public housers figured, probably not inaccurately, that they could go along merrily calling these "local" projects with the local housing authority "repaying the Federal loan," and with 99.999% of the population too ignorant or too apathetic to understand the true character of the operation.

So Ralph Gwinn's amendment hit right at the weak spot in this phony set-up. Technically the local housing authority, rather than the Federal Government, meets the service of the loan, and if the annual contributions could be held up then the punch is a knock-out.

Furthermore, nobody dares vote in open and on the record in either House against the Gwinn amendment, for that would be tantamount to voting for Federal funds to subsidize Commie front members in public housing. No Senator can be for that on the record, any more than he can be for sin.

So the deal is to try to get around this some way so that the vote in the Senate can be escaped. At present no one knows just how the public housers can slip out from under this one, but one can count upon the fact that this crowd is so slick that it makes Phil Murray and the CIO look like boorish clods.

One of the interim tricks tried by the public housers is to try to create the impression that the Gwinn amendment applies also to FHA and VA loans. The idea behind this—and it is being printed in some places—is to scare the daylights out of every banker, building and loan association, and insurance company. If these primary mortgage lenders could be scared into thinking that their loans were suspect, they could be expected to panic the Congress into doing away with the Gwinn amendment.

This particular trick, however, is the brain child of public housers on the Hill and outside the Public Housing Administration. PHA doesn't itself attempt to assert that the private lenders are hooked. PHA says frankly that the Gwinn amendment is a limitation applicable expressly and only to "annual contributions" for public housing.

Should the Gwinn amendment by some chance stay in the appropriation as passed, then PHA would have to arrange for an official Federal clearance of every tenant of every PHA-assisted housing project, certifying that that tenant was not a member of any organization on the list designated by the Attorney General as subversive.

Incidentally, PHA under the 1949 act has something less than 35,000 units of public housing completed. It has something more than 100,000 units under construction. These 100,000 units will be built under prior year appropriations regardless of whether Congress limits below 75,000 units, the amount allowed for fiscal 1953.

The President recommended 75,000 units, as he did last year. Congress last year authorized 50,000 units. This year the House, as last year, at first limited the amount of new authorizations to 5,000 units but the Senate has not yet acted. Last year the Senate boosted it to 50,000 units and the House caved in and accepted this figure.

It was not surprising to observers that the House kicked out the President's proposal to create 23 new judges. And it was not surprising that a very good many Southern conservatives went along with Truman in favor of creating the judgships.

A Federal judge is appointed for life with a hefty pension upon retirement, and with 23 new Federal judges a great deal of political usefulness is afforded an Administration. It can "take care" of several weak Senators and Representatives, getting them out of the race for stronger men. And if it is pretty sure that the Administration will be beaten, certain of the members of Congress who have been faithful for years, can be given this form of social security.

Many Southerners were for this bill because there they are Democrats first, conservatives second. If the bill passes next year and by some chance there were a Republican President, then these Southerners would lose all chance of suggesting a nominee for one of the new Federal judgeships, and also a chance perhaps to be nominee themselves.

The court dockets are crowded and additional judges are needed, but the Administration waited until this late day in 1952 to really push the measure, a delay which aroused the suspicions of Republicans and a handful of Democrats who didn't want to be a party to this enterprise.

Incidentally, Truman is faring much better with nominations, at this announced end of his regime, than Herbert Hoover. The last GOP Senate under Hoover refused to confirm any important Hoover appointments, even including solid, 100% Democrats, holding up these confirmations so that Roosevelt or whoever became President could select his own nominees for important posts.

It is noted here that Clarence D. Howe, Canada's Minister of Defense Production, recently said in public that inflation in Canada was under control provided labor didn't knock it over with wage demands.

"The cost of living is well under control, but with one reservation," said Mr. Howe. "Organized labor can upset the applecart. There are one or two disturbing situations outside of Canada which may spread into Canada."

Says Washington of this observation: "It can't happen here."

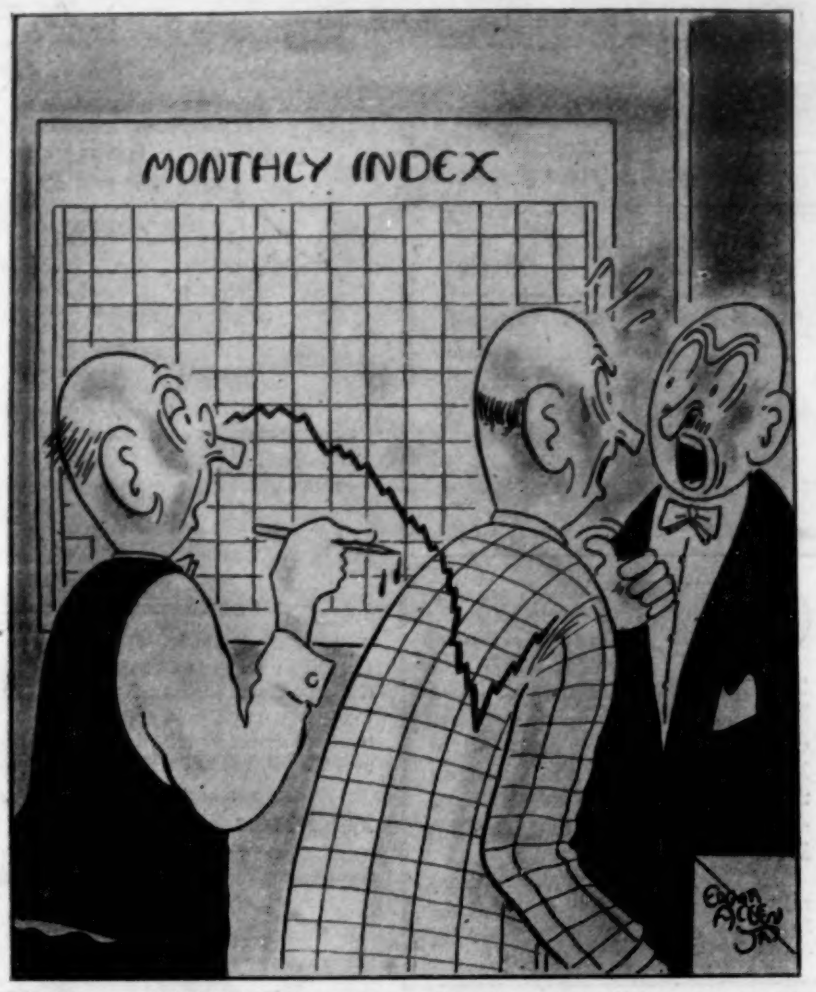
* * *

Behind the unhappy Tom Connally's decision to bow out of the Texas reelection contest, perhaps before he got knocked off, lies an old Washington truism: In Congress you sometimes can guarantee your reelection by being "a great national figure"—but only for a time. Sooner or later a preoccupation with national affairs and a neglect of state sentiment leads to one's defeat. There are a few exceptions. Usually a man elected Speaker of the House finds himself safe, and occasionally some other individual.

However, even the late George Norris, virtually patron saint of the modern day "liberals," eventually found himself booted out of office, to his desolation. Senator Joseph C. O'Mahoney (D., Wyo.) is reported to be in grave trouble for the same reason.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"Well, you KNOW he's near sighted—why did you stand so close to it?"

Business Man's Bookshelf

Controllership: The Work of the Accounting Executive—J. Brooks Heckert and James D. Wilson—The Ronald Press Company, 15 East 26th Street, New York 10, N. Y.—cloth—$7.50.

Longevity of Manufacturing Concerns in Allegheny County—William Wayne Frasure—University of Pittsburgh Press, Pittsburgh, Pa.—cloth—$4.50.

Marine Insurance: Its Principles and Practice — Third Edition — William D. Winter—McGraw-Hill Book Company, 330 West 42nd Street, New York 36, N. Y. — cloth—$7.50.

Memoirs of Herbert Hoover, The: 1920-1933, The Cabinet & The Presidency — The Macmillan Company, 60 Fifth Avenue, New York 11, N. Y.—cloth—$5.00.

Right to Own Property, The—From a decision by Judge Arthur C. Shepard—The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—paper—no Charge for single copy; quantity prices on request.

Stock Exchange (London) Year-Book, 1952 — Volume 1 — Thomas Skinner & Co., Gresham House, London, England and 111 Broadway, New York 6, N. Y.—By post, U. S. A. and Canada, $33 (2 vols.)

With John G. Kinnard

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Leta E. Davis has been added to the staff of John G. Kinnard & Co., 71 Baker Arcade.